Insurance Appraisal Guide and Forms

Editable transcription of the supplied reference materials

This packet explains the insurance appraisal process and includes working checklists, instructions, contact information, an employment agreement, and a demand-letter form.

Appraisal Process

DEFINITION OF APPRAISAL: It is an "extra-judicial" contractually agreed process that is binding on the parties for resolving a disagreement between the insurance carrier and the policyholder about the amount of a covered loss under an insurance policy. Appraisal cannot be used to decide liability for the loss or the interpretation of policy language. Appraisal only determines the single issue of the amount of loss for the claim at issue.

What Are the Main Steps in the Appraisal Process

1. Invoke or start the appraisal process.
2. Both parties hire an appraiser.
3. Within 20 days, provide the other party with the appraiser's contact information.
4. The two appraisers agree on an umpire.
5. Both appraisers meet at the loss location and determine the scope and amount of damage.
6. If the appraisers are in agreement, they complete an estimate and award form. This concludes the appraisal process.
7. The umpire is brought in only if the two appraisers do not agree on the scope and damage amount.
8. If the umpire is needed, everyone meets at the loss location to explain their position to the umpire.
9. The umpire then prepares an estimate and an award.

What Are the Appraisal Fees

Appraiser fee: Each party hires its own appraiser.

Umpire fee: This fee is split between the insured and the insurance company.

Insurance Appraisal Simplified

STEP 1 A dispute arises over the value and/or extent of an insured loss.

STEP 2 Each side, insurer and insured, picks an appraiser. The appraisers pick the umpire or neutral.

STEP 3 The two appraisers try to reach agreement on some or all items in dispute.

STEP 4 For remaining issues, the appraisers and umpire review documents, photographs, and evidence.

STEP 5 The panel deliberates and votes.

STEP 6 Two out of three agree and write and sign their decision, or all three agree unanimously.

STEP 7 The decision is issued as an award.

STEP 8 The decision or award is delivered to the carrier and insured to trigger payment or enforcement of the award.

Panel Structure

Policyholder Appraiser	Umpire	Insurance Appraiser
Selected by the policyholder	Neutral selected by the appraisers	Selected by the insurer

Important Notes

- Coverage disputes generally cannot be resolved through appraisal.
- If the parties cannot agree on an umpire, a court will appoint one.
- Rules vary by state regarding appraiser qualifications, selection, hearing process, and costs.
- Appraisal findings are generally called an award.
- An unconfirmed award has the force and effect of a contract. Once confirmed by a court, it becomes an enforceable judgment.

Source note: The photographed process chart bears a 2010 United Policyholders copyright notice.

Frequently Asked Questions

What Is an Insurance Appraisal

- An insurance appraisal is a contractually agreed process for resolving a disagreement between the insurance carrier and the policyholder about the amount of a loss under an insurance policy.
- The goal of the appraisal is simple: the insurance company wants to make sure it knows what it is paying for and that the charges are necessary so that you are fully indemnified for your loss.

What Is the Role of the Appraiser

- **Appraisers for insurance claims have one primary goal:** to resolve a dispute when the insurance policyholder and insurance company disagree over the value of a claim. They are not used to determine coverage of a related peril, but only the cost to make repairs that have been approved by the insurance company.
- In the event of a dispute, you hire your own appraiser and your home or business insurance company hires its own appraiser. You then split the cost of an umpire whose role is to decide which appraiser has made the proper assessment of the cost to repair or replace the damaged items.

What Is an Umpire

- In a typical insurance dispute involving an appraisal, there are two appraisers and an umpire. The policyholder appoints one appraiser, the insurance company appoints another, and the umpire serves as a neutral third party.
- Most policy appraisal provisions allow the two party-appointed appraisers to select the umpire. The umpire should be skilled in construction and code requirements so that an accurate decision can be made.
- The umpire has a role similar to a mediator: a neutral third party designed to resolve disputes between two appraisers who cannot agree on a loss.

Scope of the Appraisal

- All appraisals have a defined scope. The scope identifies exactly what is being appraised.
- The parties need to agree on the scope of the appraisal before the case proceeds. Sometimes one appraiser will push for a broader scope while the other will push for a narrower scope.
- Eventually, the two parties agree on the scope of the appraisal. At this point, a formal appraisal agreement may be signed. If they cannot agree on the scope of loss, the umpire decides who is closest to the actual costs for all necessary repairs.

The Appraisers Will Look at the Following

- **Cause of Loss:** Both your appraiser and the insurance appraiser must first determine that the cause of loss has been properly documented and that it is a covered loss under the terms of your insurance policy.
- **Actual Damages Caused by a Covered Peril:** Both appraisers should inspect the home and write a repair estimate based on damages resulting from a covered peril. Estimates are written only for items damaged as a direct result of that loss. Damage from another loss is not considered, and a separate claim must be opened for that damage if desired.
- **Ensuing Damage:** Ensuing damage occurs as a direct result of the claim in question. A small crack in a pipe can quickly lead to a larger issue. The appraiser may check plumbing, electrical, and HVAC systems to determine whether damage resulted from the actual cause of the claim.
- **City or County Code Requirements:** A home or business may have been built before newer city or county code requirements took effect. When repairing or replacing an item, the insurance company may initially pay for like kind and quality. Permitting may require the work to meet current code rather than remain grandfathered. Both appraisers should understand current code requirements and adjust estimates for covered code upgrades when properly submitted.
- **Hidden Damage:** Hidden damage may not be visible until repairs begin. Adjusters may be unable to remove drywall or cause permanent damage to inspect concealed areas. A contractor should be present to open concealed areas when prior unaddressed damage is suspected. This should occur before appraisal so the appraisers can account for it during inspection.