

## Arbitrations and Appraisals

---

An insurance policy represents a contractual relationship. Paying a premium to an insurance company obligates it to provide coverage. Most companies try to be clear about what you can expect for your premium dollars. It's up to you to understand the critical points of your policy, such as the following:

- Who or what is protected?
- How does coverage take place?
- When is coverage effective?
- How much coverage is provided?
- What are the responsibilities for reporting losses?

Under an insurance contract, you and the insurer are partners. Partners often learn to understand and work with each other quite well. However, sometimes disagreements occur and you should be aware of how you may look to your policy for help.

### Arbitration And Appraisal

Two common areas of disagreement are over whether coverage exists or, if there is coverage, how much should be paid for a loss. Arbitration is a tool for addressing the former issue, while the latter is frequently handled by appraisal.

When a claim is rejected, the insurer should offer an explanation for declining coverage. (Of course, if no explanation was given, the policy owner's first step should be to request this information). The insured and insurer may discuss their viewpoints and, failing to reach either an understanding or a compromise may choose arbitration. This process typically requires each party to:

- select their own qualified arbitrator
- permit the two arbitrators to select a third arbitrator to act as a judge
- allow that agreement among any two of the three parties stands as the decision
- each party pays for its arbitrator and share the expense of the judge

The appraisal process is often similar or even identical as both parties usually:

- select their own qualified appraiser
- permit the two arbitrators to select a third appraiser to act as a judge
- allow that agreement among any two of the three parties stands as the decision
- each party pays for its appraiser and share the expense of the judge

Items that can have a big impact on either process are any local or state laws, the actual policy wording and the arbitration/appraisal procedure that may vary by locale.

### Last Resort

Of course, sometimes arbitration or appraisal fail to settle differences, so legal action may be the last resort. However, many policies also have provisions on lawsuits. Typically an insured is prohibited from filing a suit unless it is done within a certain time period. Further, the insured has to use all the other options for resolving the conflict. While lawsuits are sometimes inevitable, it's important that insurance consumers be aware of alternatives. It's even more important to take advantage of discussing your insurance coverage with a qualified insurance professional. Their expertise can be invaluable in dealing with complex insurance situations.