

CHAPTER 3:
ADJUSTING LOSSES

OVERVIEW

In this chapter, we will introduce the principles and concepts of property loss adjustments at the most basic level. The concepts laid out will pertain to both commercial and homeowners losses.

DUTIES AFTER A LOSS TO THE INSURED- You can find in the policy conditions the duties of the insured. The conditions which are laid out require the appointed representative, as well as the insured, each to perform particular duties when a loss occurs. Coverage may be void when the insured violates any of these duties.

NOTICE TO INSURER – An insured person is required to give the insurance company or agent “prompt notice.” Though the specific term “prompt notice” is not defined in the policy, it is understood to mean timely notice, or notice as soon as practically possible. This condition’s primary purpose is to make sure that an insurer’s ability to assess the loss will not be prejudiced by the actions, or inactions (late notice) of the insured. If unable to provide prompt notice of a loss, the insurer may not be able to determine the cause of loss, or conclude the value of damaged property. Cases of inaction allows the insurer to successfully argue late notice in order to deny the claim.

In addition to the obligation of notifying the insurer, most policies require the notification of law enforcement and police in the case that a law (mischief, vandalism, robbery, theft) has been broken. This encourages several significant goals. First, it permits the insured to make an inventory of items stolen within prompt notice, promoting claim accuracy. Second, it requires police reports to minimize the occurrences of fraudulent theft claims. Finally, it permits police to investigate the loss, increasing the probability of apprehending criminals in a timely manner, or recovering stolen property.

MINIMIZING THE LOSS- It is mandatory for the insured to protect his or her property from further damage, using reasonable efforts to minimize the loss. Necessary and reasonable repairs include activities such as boarding up broken windows, or covering up a damaged roof with tarp. These expenses are normally covered under the policy as they are emergency repairs, serving to prevent further damage to the property.

Also required of the insured is the preparation of an inventory of damaged property that shows the quantity, value, description, and actual amount of loss. This permits the insurer the opportunity to examine the damaged property as often as they see fit in order to ascertain the amount and extent of damaged property.

Maintaining accurate records of expenses incurred is the final condition of this process for the insured. Records include additional living expenses, business income loss, or fair rental loss. It permits the insurance company an opportunity to analyze the element losses of the insured’s time.

SWORN STATEMENT IN PROOF OF LOSS- This provision requires the insured to forward the signed, sworn proof of loss to the insurance company within 60 days of the request. Proof of loss in the insured’s formal demand for payment setting forth time of loss, interests of all parties involved, and any other insurance that may cover the specification and inventory of damages, as well as receipts for additional living expenses. Although the insurers use standardized proof of loss forms, the insured may develop their own proof of loss form and make a demand for payment. Different from a proof of loss is a notice of loss, which is the initial notification completed by the insurance agent/producer and submitted to the insurer. The form for proof of loss is provided to the insured by the insurance adjuster after the investigation of the loss. It indicates the amount to be paid by the insurer as settlement after the insured and insurer agree on a settlement of loss. In some cases, when the loss is not complicated, the carrier may waive the proof of loss requirement voluntarily.

SPECIAL REQUIREMENTS- Sworn Statement in Proof of loss is the insured's formal request (demand) for payment. This clause sets forth the details of the loss, including damaged property values. Below details the special requirements found in a Homeowners or Commercial Policy's proof of loss.

- Cause and Time of loss – This is to verify that the loss occurred within policy period and that it is covered under the policy. It provides the insurer the opportunity to determine if the loss could have occurred in the manner and at the time claimed.
- Interest of Insured (Liens Included) – Permits the insurance company to indemnify the insured and any others with an insurable interest in the policy, including mortgages
- Other Insurance – The insured is only entitled to be covered for exact amount of loss, and will not be entitled to profit, even in the instance of two or more insurance contracts covering the same loss. Each policy will have an additional provision to determine a percentage or order of payments by each insurer
- Change in Title – A title change would have a material effect upon insurable interest of the insured. As an example, when the insured sells property, coverage would not apply with the lack of insurable interest
- Specification Damages – This requires the insured to document and specify the extent of claimed damages. An opportunity for the insurer to review the loss will arise. As an example, the detailed estimates may show an unusual dollar amount or number for the items being claimed. Additional investigation may be required in this event in order to determine what coverage would be applicable, or whether there has been an instance of fraud (policy violation)
- Personal Property Management – A completed inventory of damaged property must be part of the proof of loss. This policy provision requires a damaged property inventory be prepared by the insured for an accurate evaluation and determination of the loss. With this provision, the adjuster assists the insured with the preparation of the inventory, then determines the value of the claim based on the proper provisions for policy loss settlements. Several important purposes are served with the personal property inventory provision and the subsequent evaluation. The adjuster can evaluate the exact amount of the loss to be recovered through the determination of the replacement value of the property. The depreciation is applied in order to arrive at the actual cash value of the property. Then, an unusually high dollar amount of cash purchases may be indicated in the inventory that may not be supported by the insured's income, arising the chance for a fraudulent claim. An accurate inventory is essential to set forth the value of damaged items, and the review of receipts, bills, and other related documents to justify the loss. If the insured failed to produce records and documents of the worth of the damage, the claim will not be disqualified, but lacking proper records may be used to challenge the credibility of the claim
- Receipts For Additional Expenses for Living – When a loss occurs, the insured must keep accurate records of additional living expenses, as well as records to support the fair rental value
- Credit Card/Counterfeit Loss Evidence – The insurer is permitted the opportunity to analyze the claim for coverage under counterfeit, forgery, credit card, or fund transfer card money coverage. For example, the insured can produce checking account statements and/or credit card statements to prove the fraudulent behavior
- Production of Records and Books – The insured is obligated to set forth his or her records and books during the claims process. This includes bank statements, tax returns, and brokerage statements, as well as certified copies of federal tax returns that can be secured directly from the IRS. Information found in the books and records may prove beneficial in determining value of damaged property, indicate any financial difficulty, or the extent of loss of income from the damages

- Abandonment – The insured is prohibited from abandoning the property in an effort to claim total loss to the insurance company. Even when a home suffers fire damage, the insured cannot abandon the home and then make a demand for policy limits

HOW TO DETERMINE VALUE AND LOSS

The value of the loss that the insured has incurred is an important element that the insurance company adjuster determines. The first step for the insurance company is to determine the cause of loss to see if coverage can be applied. The adjuster then determines value and amount of damaged property, considering replacement cost, salvage value and depreciation of property damage. Through the process of like kind and quality, the insurer can decide to repair or replace damaged property as opposed to a cash settlement.

Burden of Proof – The burden of proof in a claim is based on the type of policy form that exists at the time of loss. Forms are considered either Specified/Named Peril or Special/Open Peril. The Specific/Named Peril Form places the burden of proof of loss on the insured, which lists perils insured against in the policy. Coverage applies when a named Peril causes the loss. Special/Open Peril Form policy will list exclusions of coverage, and when the cause of loss is excluded, no coverage will be applied. This places the burden of proof on the insurer to prove coverage does not apply.

Estimates – Part of the claims adjustment process. Shortly after the loss occurs, a scope or an inspection of the damage will be completed. A detailed listing of the building damage is called a scope, and two primary methods are used to provide estimates.

- Labor and Material – Using this method, the estimation of damaged property costs is based on labor hours, and the amount of repair for each item that has been indicated in the adjuster’s scope. It is sometimes referred to as the time and materials method, and it is under this method that unique or one of a kind repair estimates are generally based
- Unit Cost Method – Using this method, the estimation of damaged property is based on the unit price of the property, including both materials and labor. Under this method, common building items are generally estimated. As an example, when it comes to vinyl tile installation for \$3.00 per square foot, and an area of 300 square feet is tiled, an estimate will total \$900.00, including labor and material

In this chapter, you will find construction terms, concepts, and formulas needed to calculate property loss estimates.

TYPES OF PROPERTY COVERED

Property is classified under two categories: real property (building, homes, and structures) and personal property (furniture, valuables, clothing, and inventory). Each category is settled on a different basis. Under a Homeowners Policy that is unendorsed, property classified as personal is settled on an actual cash value basis. Contrarily, the building is settled at replacement cost value with an insured-to-value requirement. The determination of these two categories can result in vast differences in loss settlement. An overview of these commonly difficult, yet important categories are described below.

Personal Property – Any type of property that is not real property. Possessions that are reasonably moved are personal property of the insured. This includes furniture, household appliances, clothing, and other valuable possessions. Below are property categories that are commonly difficult to categorize.

- Awnings – An object is considered an awning when the structure is supported only by its distinct attachment to the building. When supported by an external edge such as uprights or posts, it is considered an extension or porch, *not an awning*
- Carpeting – Carpets cause a number of disagreements in loss situations. Are carpets considered personal property and claimed on an actual cash value basis, or are they part of the building and adjusted on replacement cost. Area rugs, or carpeting that does not touch the walls are considered personal property. However, carpet installed wall to wall is considered a building item
- Appliances – This category includes devices common in the household, such as coffee makers, washers and dryers, blender, or dishwashers. If not part of the building, they are always considered personal property. When the home has a built-in refrigerator or stove that was installed into the home, it is considered part of the building
- Outdoor Equipment – Outdoor equipment is property that is used for enjoyment of the insured, and is placed into the category of personal property. Such items include patio equipment or furniture, lawnmowers, gardening supplies and tools, or pool equipment

Buildings – These structures are affixed to land, and thus considered real property. The Homeowners Policy provides the building with replacement cost coverage. This would allow for an amount of money for the cost to repair or replace with similar materials at today's prices. Replacement cost is not to be confused with the market value (sale price of the building) or actual cash value (depreciated value). Actual cash value is determined by subtracting the depreciation from the full replacement cost value.

Other Structures – This is a category that includes covered outdoor detached structures. The policy differentiates other structures for loss valuation purposes. Other structures are adjusted on the basis of replacement value. Examples of other structures are storage sheds or garages that are detached from the main building.

Insurance to Value Requirement – If the insured is carrying coverage that is equal to 80% of the replacement cost value of the building at a time of loss, the homeowner will not have a coinsurance penalty.

- Example: When a dwelling has a replacement value of \$100,000, and the insured has coverage of at least \$80,000, no coinsurance penalty will apply to losses up to the \$80,000 policy limit. The insurance company will reach final loss settlement amount by subtracting deductible from loss amount.

If the coverage amount of the building is lower than 80% of its replacement cost at time of loss, the insurance company is liable to pay the greater of these amount:

1. **Actual Cash Value amount of part of damaged building.** Determination is based on *replacement cost minus depreciation = actual cash value*. Various depreciation guides are applied to the damaged property in order to arrive at actual cash value. This requires visually inspecting the property, and factors that affect a buildings value include type and year of construction, previous repairs made, and its present condition.
2. **Proportion of the cost to repair or replace damaged property.** Like the example above, coverage will be provided up to the policy limit of 80%. When the insured carries a policy of \$40,000 or ½ of the required amount, sustaining a \$10,000 loss, then the value received will equal \$5,000. Example of an inadequate insurance coverage: Insurance amount carried divided by insurance amount required multiplied by the loss equals the payment received.
 - a. When a building is underinsured, insurance companies will pay the greater of (1) actual cash value, or (2) proportion of the cost to repair damaged property.

“Hold Back” Provision – Incorporated when the insurance company need only pay actual cash value of the loss, and once repairs have been made by the insured, the balance will be paid. Adjusters can issue a draft for a \$6,000 value on a \$10,000 loss, and after repairs have been completed, the adjuster will release the remaining \$4,000 balance. “Hold Back” is put in place to ensure the dwelling will be repaired and return to condition it was in prior to loss. This provision does not apply to losses less than 5% of amount of insurance on the building.

- After making an actual cash value claim, the insured has 180 days after the date of loss to make an additional claim for further payment under replacement cost conditions of said policy. When a \$25,000 loss occurs on January 1, and a draft is issued by the adjuster for actual cash value of \$20,000 on January 15, the insured has until June 28 (180 days after date of loss) to demand the \$5,000 that were held back from the claim.

Depreciation – This provision addresses wear, tear, and obsolescence. It is the actual dollar amount subtracted from damaged property, by the adjuster, to determine actual cash value at time of loss. Amount applied is based upon various depreciation guides, requiring visual inspection of property. The factors that affect the actual cash value include type and year of construction, previous repairs made, and the present condition of the property.

- Example: A 6 year old roof has been damaged, though its life expectancy is 30 years, then the depreciation is 20%. (30 divided by 6 is 5, or 20%). Thus, if cost of replacement is \$5,000 the actual cash value is \$4,000.

Salvage – This refers to any property that is taken by the insurer to reduce loss after a claim has been paid. When the property is considered a total loss, the insurer will pay actual cash value, or replacement cost, proceeding to take legal possession of the property. The insurer will sell damaged property to minimize the loss. Adjusters utilize the help of salvagers for large salvage cases.

CLAIM SETTLEMENT OPTIONS

There are several claim settlement options that can be exercised at time of loss.

1. Pay value of the lost or damaged property
2. Pay cost of repairing or replacing damaged property
3. Take all, or part, of the property at an appraised or agreed upon value
4. Repair, replace, or rebuild property with other property of like, quality, and kind.

The amount of money on the sworn statement in proof of loss claim is generally what is paid by the insurer. If another claim settlement option is exercised, the insurer must notify its intentions to the insured within 15 working days of the sworn statement in proof of loss.

PAYMENT AND DISCHARGE

Concerning Homeowners Policies, claim payments are required within 60 days after the proof of loss is received (which is usually agreed upon by the insured and the insurance company) or an Appraisal award is filed.

COVERAGE PROBLEMS

Problems that can arise during the claims process. These arise due to:

1. **Misrepresentation at time of application** – When an adjuster discovers something during the claims investigation that varies with the policy application, such as issues with eligibility or an extensive history of prior claims, a misrepresentation can occur. It must be determined by the adjuster whether the misrepresentation was material to the insured’s submission. The responsibility falls on the underwriting department of the insurer to determine if the application did indeed contain a material misrepresentation. This is grounds for the insurer to deny a claim.
2. **Cause of loss not clearly covered** – In some instances, it can be difficult to determine if coverage is applied. When damage occurs as a result of collapse or concurrent causation, an investigation from the adjuster must determine cause of loss and applicable policy language. Additionally, the loss may be reviewed by an expert or attorney to assist in analysis and investigation.
3. **Policy violation** – Some losses are clearly covered, but the actions of the insured may constitute a policy violation. No coverage applies when the home is intentionally damaged, and other violations include failure to cooperate, or failure to protect property from additional damage during the claims process.

WAIVER AND ESTOPPLE

For the insurer, waiver is a voluntary action, and a known right. Rights may be waived by not enforcing a provision of the policy. An insurer has the ability to waive a proof of loss requirement, as well as waiving the insured’s duty to complete inventory. When rights have been waived, they can’t be enforced at a later date.

Estoppel prohibits the citation of standard defenses in the policy by the insurer due to the actions, or inactions, of the agent or adjuster. Having the same end result as a waiver, estoppel occurs when the insured relied on the insurer causing that insured to be injured financially, or suffer from harm if the representations of the insurer are withdrawn. If the adjuster leads their insured to believe coverage exists where the insured relies on the representation, courts can estop the agent or the insurer from denying coverage. Three elements are required for estoppel:

1. False Representation (from the agent or the company)
2. Reliance on representations from second party (the insured)
3. Reliance causes suffering from prejudice, harm, or financial injuries

DEALING WITH COVERAGE DISPUTES

There is a duty for insurance companies to provide coverage and an accurate investigation in accordance to policy provisions. Situations arise that indicate violations that prevent coverage. Typical scenarios include suspicious fires, thefts, losses shortly before the policy is cancelled, or losses caused by unusual hazards. Adjusters have the duty to investigate a claim, but should not let the insured anticipate a granted coverage simply by their presence. Adjusters should proceed under a Reservation of Rights Letter or Non-waiver Agreement.

Reservation of Rights Letter – An insurer's notification to an insured that coverage for a claim may not apply. Such notification allows an insurer to investigate (or even defend) a claim to determine whether coverage applies (in whole or in part) without waiving its right to later deny coverage based on information revealed by the investigation.

Non-waiver Agreement – Advises the same way as the Reservation of Rights Letter, but a signature from the insured is required to acknowledge the terms of the agreement. When the insured refuses to sign, the insurance company adjuster is required to forward a Reservation of Rights Letter.

Declaratory Judgment Action – Requested by the insurer for a court to review facts of the case, holding there is no coverage under policy.

CLAIM SETTLEMENT PROCEDURES

These procedures address the process of settling claims. The subject of these procedures are broad, and include the initial steps of advanced payments, the adjuster's draft authority in case of further payment, the execution of releases, as well as the recovery possibility through subrogation.

Advanced Payments – This procedure requires a payment to the insured prior to completion of the investigation to a claim. When the property is uninhabitable due to a house fire or covered peril, it is a commonality for the insurance company to advance a payment in order to cover expenses, and the advance is issued within days of the loss. In these cases, the adjuster—to protect the insurer—will issue an Advance Payment Receipt-Reservation of Rights form. The document is issued to avoid the issues of waiver or estoppel that could be raised by the insured and their attorney. The Advance Payment Receipt – Reservation of Rights form is considered a non-waiver agreement to acknowledge receipt of the advanced payment, as well as indicating the advance was made in good faith, with the amount of the payment being credited against a total claim amount.

Draft Authority –The draft authority is the dollar amount the insurer grants to an insurance adjuster to settle claims. If the dollar amount goes over his authority, he must get permission from the insurance company to pay the higher amount.

Execution of Releases – The release is a legal document providing for the abandonment of rights under a claim. When utilized, the Release terminates all claims with the claimants or insured.

Subrogation Procedures – This procedure refers to the right of the insurer to subrogate against third parties that caused an insurer to pay a claim based on negligence. When a negligent party causes damage to the property, the insurer will indemnify the insured and then seek payment to the extent of their loss from the negligent third party.

ALTERNATIVE DISPUTE RESOLUTION

As a means of mitigating costs, the settlement process has alternatives to the usual process of a formal lawsuit, and are referred to collectively as alternative dispute resolutions. These resolutions include appraisal, competitive estimates, negotiation, arbitration, and mediation.

- **Appraisal** – This provision is generally found in property policies. It is utilized when neither the insured nor the insurer can agree to the proper value of damaged property. They each select an appraiser, who will then select an umpire that is impartial to the process. When parties can't agree on an umpire, a petition can be filed with a court to award an umpire. The appraisers submit their estimates of damage to each other, and in most cases a decision is finalized. If the two appraisers cannot agree then the umpire is called in to settle the differences between the two appraisers. This process helps to reduce legal expenses and promotes claim settlement. Each party pays the cost of their own appraiser while other costs are shared equally between the parties.
- **Arbitration** – This is frequently found in liability policies. When the amount of loss cannot be agreed upon, either party can demand arbitration. Arbitrators are appointed by each party, where they submit their settlements of damages, and their decision is final.

- **Competitive Estimate** – This process arises when there is a dispute to values. Estimates are provided on the disputed portion of the loss, where the differences are analyzed. This can entail disputes over labor, tools or equipment, profit and overhead, materials, or other direct costs.
- **Mediation** – An independent party is chosen to mediate the conflict. Each party meets with the mediator to discuss their case, and their dispute. This creates more control on the outcome for each party.

CONSTRUCTION TERMS

The following terms are key to understanding the process set forth by public adjusters when it comes to property loss and construction estimation. Below is a list of terms and their corresponding definitions.

Actual Dimensions – Full Size dimensions of wood that can be found in older buildings and residences.

Apron – Board installed beneath window sill.

Backing – Lumber frame installed between wall studs, giving interior trim and drywall additional support.

Balloon Framed Wall – Generally in constructions completed pre-1940, walls that run entire length of dwelling vertically; from the floor sill plate to the roof.

Baluster – Also referred to as spindles or pickets, the railing's vertical members that are used between a top and bottom rail or the stair treads.

Base or Baseboard – Board placed against the wall around room next to the floor.

Base Shoe – Also referred to as a ¼” round, the shoe is a moulding used next to the interior baseboard.

Beam – Structural member that supports a load. It carries loads (weight) from one support to another, and can also be called a “girder.”

Bearing Wall – Supports its own weight, and any additional vertical load.

Board Foot – Unit of measure for lumber that is equivalent to 1” thick by 12” wide by 12” long.

Brick Veneer – Fastened to sheath and laid against a framed wall or tile wall, it is a vertical facing of brick.

Built-up Roof – Three to five layers of asphalt compose this roof that appears laminated with coal tar, pitch, or asphalt. Used on flat or low roofs, the top is finished with crushed gravel or slag.

Bundle – A package of shingles. There are typically 27 shingles per bundle, 3 bundles per square.

Casing – Wood trimmed moulding that is installed around door or window opening.

Ceiling Joist – Part of a series of parallel framing members that are used to support ceiling loads, supported in turn by larger beams, bearing walls, or girders. Sometimes referred to as roof joists.

Cross Bridging – Placed near the center of joist spans in an attempt to prevent joists from twisting, the bridge is a diagonal bracing between adjacent floor joists.

Dormer – An opening in a slopped roof, where the framing projects out to form a vertical wall to fit windows or other openings.

Double Hung Window – Window with 2 vertical sliding sashes, which can move up or down.

Drywall – Panel made out of gypsum plaster and encased in thin cardboard. Referred to as Plasterboard, Sheet Rock, or Gypsum Wallboard, the manufactured panel is usually ½ inch thick.

Ducts – Metal pipes (round or rectangular) installed for the distribution of warm or cold air from the furnace to rooms in the home.

Electrical Rough – When the plumber and heating contractor complete their work, this is work that is performed by the electrical contractor.

Electrical Trim – Electrical contractors performs the trim work when the dwelling is nearing completion. Installation of plugs, switches, smoke detectors, light fixtures, etc.

Fascia – With roof drain gutters attached, they are horizontal boards attached to the rafter ends along gables and eaves.

Felt – Tar paper installed under roof shingles, typically weighing 15-30 pounds.

Fire Stop – Solid closure of a concealed space, placed to prevent the spread of fire through such a space. This slows the spread of fire and smoke inside walls and ceilings.

Flashing – Sheet metal, or other material used in roof and wall construction to protect dwellings from seeping water.

Flue – Large pipe where fumes escape from a fireplace, furnace, or gas water heater.

Footer – 8-10 inch thick continuous concrete pad that supports the foundation wall or monopost.

Forced Air Heating – Common heating form, using natural gas, propane, oil or electricity as fuel. Air heated in furnace, distributed through metal ducts to various areas of the house.

Foundation – Portion that supports structure, it is below the first floor construction, or below grade.

Framing – Term for lumber used in the structural members of a building, including studs, joists, and rafters.

Freize – A horizontal member of house construction that connects the top of siding with the soffit of the cornice.

Green Board – Drywall type that has a greater resistance to moisture than regular plasterboard, used frequently in bathrooms and other wet areas of the dwelling.

Gross Area Method – Determines the square footage of area that is surfaced by a contractor. Measurements are the perimeter time the height of room plus the ceiling length times the width.

Ground Fault Circuit Interrupter (GFI) – Equipped with small reset button, this sensitive plug designed to shut off all current of electric. Typically used in wet areas like bathrooms, kitchens, waterproof outlets, and garage outlets.

Header – Horizontal structural member over a door, window, or other opening.

Hearth –The inner or outer fireproof floor of a fireplace usually made tile, brick, or stone.

Heat Pump – Device using compression and decompression of gas to heat and cool a house.

Hip – A four sloped side roof. The external angle is formed by meeting of two sloping sides of a roof.

Jack Rafter – Spans the distance from wall plate to a hip or from valley to a ridge.

Linear Foot – Unit of measurement that is equal to one inch thick by 12 inches wide by 12 inches long.

Lintel – Horizontal structural member that supports the load over a door or window opening.

Load Bearing Wall – Wall that includes all exterior and any interior that is aligned above a girder or support beam.

Masonry – Building materials that are bonded together with mortar to form a wall. Usually made of stone, concrete, block, or hollow-tile.

Mastic – Pasty material used as cement for setting tile, or used as a protective coating for waterproofing or insulation.

Nominal Dimensions – Size of wood that has been smoothed at the mill. Typically, one-half inch smaller in dimension than actual dimensions.

Nonbearing Wall – Wall that supports no load other than its own.

Parapet – A wall placed at the edge of a roof to prevent from falling off.

Particle Board – Substitute for plywood that is made of sawdust and mixed with resin to press into sheets. It is typically used for closet shelving, floor underlayment, or stair treads.

Pent Roof – A shingle sloped roof

Plywood – A wood panel made of three or more layers of veneer, compressed and joined with glue, and laid with adjoining plies at right angles to strengthen the sheet.

Post – Vertical framing member designed to carry beams. Posts are metal pipes with a flat plate on top and bottom.

Post-and-Beam – Basic method for building that uses a few hefty posts and beams to support an entire structure.

Poly Vinyl Chloride (PVC) – Type of plastic pipe used for water supply lines and waste pipe.

Radiant Heating – Heating method that consists of forced hot water system with pipes in the floor, ceiling, or wall, also uses electrically heated panels.

Rafter – Lumber used to support roof loads and roof sheathing; flat roof rafters are called roof joists.

Riser – Vertical boards that close the spaces between treads of stairways.

Romex – Nonmetallic sheathed electrical cable brand commonly used for indoor wiring.

Roll Roofing – Asphalt roofing product that is manufactured in roll form.

Roof Joist – Rafters of a flat roof, the joists are lumbers that are typically used to support the roof sheathing and loads.

Roof Sheathing or Sheeting – Panels of wood or sheet material that are fastened to the roof trusses or rafters where roof coverings are laid.

Sash – A light frame that contains one or more lights of glass.

Shake – Material used in wood roofing (typically cedar or redwood).

Sheathing – Structural wood panel covering that is used over the floor joists, rafters, or studs of a structure.

Shed Roof – Roof that contains only one sloping plane.

Sheet Rock – Gypsum plaster manufactured panel that is encased in thin cardboard.

Slope – Angle of a roof's surface at incline, given as a ratio of rise to run.

Soffit – Area below overhangs and eaves.

Square – Unit of measure meaning 100 square feet; applied to siding and roofing material.

Stucco – Exterior plaster finish made with Portland cement at the base.

Stud – A vertical wood framing attached to horizontal sole plate below and top plate above.

Stud Framing – Building method distributing structural loads to each of a series of relatively lightweight studs.

Subfloor – Framing components of a floor that include the sill plate, floor joists, and deck sheathing where a finished floor is to be laid.

Tempered Glass – Glass designed not to shatter or create shards, but pelletize. Glass that is required in tub and shower enclosures and locations, sidelight glass, entry door glass, and in a window when the window sill is less than 16 inches to the floor.

Trim – Contractors perform to finish respective aspects of work.

Truss – Manufactured and engineered roof supporter with zig-zag framing that functions as a rafter, though designed for a longer span.

Underwriters' Laboratories (UL) – Independent testing agency that checks electrical devices and other components for safety hazards.

Wind Bracing – Diagonally designed metal straps and wood blocks on the inside of the wall from bottom to top, preventing the wall from racking, twisting, or falling over.

Yard of Concrete – Measuring unit to quote concrete. One cubic yard is 27 cubic feet.

STANDARD ADJUSTING FORMULAS

The 20 formulas below are supplied:

1. **Roofing** is measured by the square. Calculated by width times length of rafters divided by 100 equals the number of squares.
2. **Shingles** – the average exposure of a shingle to weather is 5 inches
3. **Siding** – is measured by the square. Calculated by length times height on all four sides of the house.
4. **Soffit and Fascia** – calculated by the measured length times the width of the soffit and the fascia is measured by the linear foot only.
5. **Counter top** – measured by the linear foot.
6. **Carpet** – Calculated by length times width is equal to the square footage divided by nine equals the square yards. Carpet can be measured by the square foot, as well.
7. **Wallpaper** – Calculated by height times length equals square feet. Typically packaged in double rolls, where American double rolls contain 72 square feet and European double rolls contain 66 square feet.
8. **Gutters and Leaders** – Calculated by measuring running (linear) feet.
9. **Concrete** – Calculated by measuring cubic yards. 3 feet long times 3 feet wide times 3 feet deep.
10. **Furnace** – Determined by the area that requires heat and is dependent upon the size of the unit.
11. **Insulation** – Calculated by the number of feet by width, and figured by the roll.
12. **Windows and Doors** – Typically calculated by the height and width of the opening.
13. **Cabinets** – Calculated by the measurement of linear feet.
14. **Vinyl Tiles** – Calculated by the measurement of the square foot. Square footage is equal to the length times the width.
15. **Shutters** – Calculated by the width and the height of the size of the window opening.
16. **Stucco Ceiling** – Calculated by the measure of the square footage.
17. **Brick** – Seven bricks per square foot and five bricks per modular styles, calculated by measuring the amount of square feet to be covered.
18. **Paint** – Calculated by measuring the square foot.
19. **Sheet Vinyl** – Calculated by measuring square yards, or the length times the width divided by nine.
20. **Hardwood Flooring** – Calculated by measuring the square foot.

CHAPTER 3
PRACTICE EXAM

1. Property taken by an insurer after a claim is paid to reduce its loss is:
 - a. Depreciation
 - b. Salvage
 - c. Betterment
 - d. Subrogation
2. Under a Special Form Policy, the burden of proof that coverage does not apply is placed on the:
 - a. Public Adjusting Company
 - b. Insurer
 - c. Insured
 - d. Public Adjuster
3. An adjusting allowance for wear, tear, and obsolescence is:
 - a. Estimate
 - b. Subrogation
 - c. Depreciation
 - d. Salvage
4. An insurer can deny a claim if it is determined that the insured:
 - a. Failed to disclose information not requested.
 - b. Concealed information at time of application.
 - c. Misrepresented information at time of application.
 - d. Made a material misrepresentation at time of application.
5. If an insured and insurer cannot agree on the value of damaged property, either party may demand:
 - a. Mediation
 - b. Negotiation
 - c. Arbitration
 - d. Appraisal
6. Which of the following is NOT a method used to resolve disputed claims?
 - a. Adverse Selection
 - b. Appraisal
 - c. Competitive Estimates
 - d. Mediation
7. The payment authority an insurer grants to its adjuster is:
 - a. Check Authority
 - b. Apparent Authority
 - c. Advance Payment Authority
 - d. Draft Authority
8. The document used by an insurer advising the insured that the claim is under investigation and there is no admission of coverage is a:
 - a. Release
 - b. Proof of Loss
 - c. Notice of Loss
 - d. Reservation of Rights Letter

9. A document signed by the insured and insurer in agreeing that the claims investigation is not an admission of coverage is a:
- Non-waiver Agreement
 - General Release
 - Execution of Release
 - Reservation of Rights Letter
10. What document is used to make a demand for claim settlement?
- Subrogation Receipt
 - Notice of Loss
 - Proof of Loss
 - Declaratory Judgment Action
11. The term “prompt notice” as indicated in a Homeowners Policy means?
- Notice within 60 days
 - Notice within 10 days
 - Notice in a timely manner
 - Notice within 30 days
12. The duties of an insurer after a claim are:
- Based upon Standard Practices
 - Based upon Policy Conditions
 - Based upon Negotiated Agreement
 - Based upon Guiding Principles
13. After a claim occurs, the insured is NOT permitted to:
- Make reasonable repairs
 - Hire a contractor to make emergency repairs
 - Authorize repairs in insurer’s name
 - Protect property from further damage
14. The voluntary relinquishment of rights under a policy by an insurer is:
- Waiver
 - Abandonment
 - Betterment
 - Estoppel
15. The legal doctrine that stops an insurer from citing its standard defenses because of its actions or inactions is:
- Estoppel
 - Waiver
 - Adhesion
 - Negligence
16. An insurer can deny a claim if it is determined that:
- The insured’s friend accidentally started his property on fire.
 - The insured accidentally started his property on fire.
 - The insured intentionally started his property on fire.
 - The insured’s friend intentionally started his property on fire.

- 17.** Which of the following is NOT an element of estoppel?
- a.** Detrimental Reliance
 - b.** Financial Injury
 - c.** Voluntary relinquishment of a known right.
 - d.** A false representation
- 18.** To validate income levels in order to substantiate a claim, an insurer will generally request:
- a.** Accept the insured's word of income level.
 - b.** Accept copies of the insured's federal tax returns.
 - c.** Use information on a credit report to determine income level.
 - d.** Certified copies of the insured's federal tax returns.
- 19.** The initial document evidencing a claim is the:
- a.** Notice of Loss
 - b.** Proof of Loss
 - c.** Non-waiver Agreement
 - d.** Reservation of Rights Letter
- 20.** In an additional living expenses claim:
- a.** The insurer must pay the Coverage A- Dwelling limit.
 - b.** The insurer must pay the Loss of Use limits of insurance.
 - c.** The insurer must maintain accurate records of expenses incurred.
 - d.** The insured must maintain accurate records of expenses incurred.
- 21.** The Notice of Loss is generally completed by the:
- a.** Insurance producer
 - b.** Insurance Company Staff Adjuster
 - c.** Insurance Company Adjuster
 - d.** Public Adjuster

CHAPTER 3 ANSWER KEY

1. b
2. b
3. c
4. c
5. d
6. a
7. c
8. d
9. a
10. c
11. c
12. b
13. c
14. a
15. a
16. c
17. d
18. d
19. a
20. d
21. a