



## Initial Steps to a Successful “Scope of Loss”

It is essential that every homeowner with a large or total insured loss understand the necessity and value of a “SCOPE OF LOSS”. The adjuster will often emphasize the need for the PERSONAL PROPERTY INVENTORY and focus the homeowner’s attention to the compilation of a detailed personal property list. Furthermore, the adjuster will ask some basic questions about the damaged or lost structure(s), and tell the homeowner, “Not to worry”, that s(he) will figure out the amount of the structural loss.

What the adjuster often forgets to tell the homeowner is that the homeowner is responsible to provide the insurance company with sufficient details – and cost (Statement or Proof of Loss) of the *entire* loss, not only what was *inside* the house but the *house itself*.

Your adjuster may refer to a SCOPE OF LOSS as an “estimate.” An “estimate” generally lacks the specificity and completeness of a true SCOPE OF LOSS. But the adjuster usually gets away with an “estimate” because the term is what most homeowners know.

**A SCOPE OF LOSS is a vital, disaster recovery document. Most problems during the insurance settlement process and the rebuilding procedure go back to the completeness and accuracy of the SCOPE OF LOSS. Any underinsurance issues or rebuilding disputes depend on a valid SCOPE OF LOSS to aid resolution.**

**A SCOPE OF LOSS is a detailed, line by line “inventory” of all labor and material required to replicate your damaged or destroyed house. An accurate SCOPE OF LOSS needs correct measurements (quantities) and specific materials (qualities) in your house.**

**The SCOPE OF LOSS is generally a two-step process with many revisions to fine tune the details of all the components of your lost dwelling. After the details of the dwelling loss are verified, then current construction materials and labor costs, including the secondary costs of architect and engineering plans and reports, general conditions, overhead and profit are added to the SCOPE. A SCOPE OF LOSS most likely will be dozens of computer generated pages with hundreds of line entries.**

- Take time to hire your own qualified contractor to prepare a scope of loss while your insurance company is preparing its first “estimate”.
- The first “estimate” the adjuster prepares is just the beginning of settlement negotiations.
- The scope of loss is a lengthy process, often requiring many revisions to assure accuracy.
- A contractor **cannot** negotiate your claim! It is a violation of the law!
- DO NOT allow your contractor to speak with your insurance company, agent or adjuster about your claim without your presence and permission. It’s your claim!
- A contractor cannot charge you a percentage of your insurance settlement. It’s illegal!

**TIP: Beware of contractors recommended by the insurance company.** In *Rattan vs. USAA*, the insured hired a contractor who was recommended by USAA and whose work was seriously defective. The Court held that an insurance company recommendation and guarantee of that contractor’s performance is not part of the insurance contract and therefore the insurance company was not responsible for the performance of its “preferred contractor.”