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Handling a Dispute with Your Insurance Company





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From time to time, you may need to resolve a dispute with your insurance company. Disagreements often arise about the amount due on a bill, the amount the company paid on a claim, or the nonpayment of a claim. Here are some steps that can help you resolve a dispute efficiently and agreeably.

Know your rights

The insurance industry is highly regulated. Your state has laws that dictate what insurance companies can and cannot do when it comes to bill collecting, settling claims, and other matters. The law may be called the Unfair Insurance Practices Act, the Unfair Claims Settlement Practices Act, or something similar. To learn about the laws in your state, call your state insurance department or check its website. Most states have the following regulations in place:

- An insurance company cannot misrepresent your policy. In other words, the company cannot knowingly tell you that the policy means something that it doesn't actually mean. In addition, the company cannot change the policy without informing you in writing ahead of time.
- The company cannot withhold payment on a claim against one part of your policy in order to force an issue on a claim against another part of your policy. For example, your insurer cannot withhold payment on a claim against the collision portion of your auto policy to force you to settle on the liability portion.
- Companies must acknowledge and process claims promptly. In some states, companies have to acknowledge within 15 days that they received notice of a claim. After receiving the claim, they must investigate, process, and settle it quickly.
- Companies cannot ask you for unnecessary forms in an effort to delay an investigation or payment of a claim.
- Companies cannot make it a practice to appeal most court awards that favor their policyholders. Companies are allowed to appeal decisions they truly believe are unfair, but they cannot use the appeal process to force their policyholders to settle for less than they are due.
- A company has to have a good reason to deny or delay a claim and must explain the reason to the policyholder. In most cases, lack of coverage or nonpayment of premiums is the reason for a denied claim. Or, the company could be misinformed about the details or circumstances of the claim.

Use your insurance agent or broker

If you have an insurance agent or broker, he or she can be a valuable resource in resolving disagreements amicably. Your agent or broker has an established relationship with the insurance company and knows where to go for help. An agent or broker can usually resolve the problem over the phone right from his or her office. Give him or her your policy number, copies of disputed bills, canceled checks, any written correspondence, and records of any phone conversations. If you don't have an insurance agent or broker, discuss the problem with a customer service representative from the company.

Write a letter

If you've had no luck resolving the problem through your agent or broker or by calling the company, write a letter to the appropriate manager at the company. For example, address letters regarding disputed bills to the accounting or finance manager. If possible, obtain the manager's name before writing the letter. Your letter should clearly state the problem and what you think would be a fair resolution. Include information about phone conversations you had with customer service representatives, such as dates of the calls and the names of the people you spoke with. Your letter should also include your policy number and your daytime telephone number. Finally, include copies of written correspondence, bills, canceled checks, or bank statements.

Get a third party involved

Complaints rarely come to this point, but if your company still hasn't resolved the problem to your satisfaction, there are a number of options you can pursue. Calling your state's insurance department is one such option--there are state insurance regulators who investigate policyholder complaints. In fact, if the state finds that the company is violating any state laws or regulations, the state could fine or otherwise reprimand the company. You might also consider contacting your state's consumer protection division or the Better Business Bureau. Another option is to seek an out-of-court settlement through arbitration or mediation. There are independent organizations that will provide this service when you have a dispute with your insurer.

Take legal action

As a last resort, you can take the insurance company to court. If the amount in question is below a certain threshold (this amount varies by state), small-claims court may be an option for you. You do not need an attorney in small-claims court.



If the amount is too big for small-claims court, you can hire an attorney. It is in the insurance company's best interest to settle disputes quickly, especially if they involve expensive litigation. Chances are good that once you hire an attorney and he or she contacts the insurance company, the dispute will be settled out of court.

If you educate yourself, have all the information at your fingertips, stay organized, and be persistent, you should be able to resolve your problem quickly.

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