

Raked Over the Coals

Richard and Penni Domikis didn't think anything could be worse than watching their home burn down ... until they tried to collect the insurance

BY MARK ROBICHAUX
FROM SMARTMONEY

THIS IS NOT GOOD, whispered Richard Domikis one cool winter evening as he opened the front door to his house, a few miles west of Fredericksburg, Virginia. Thick smoke met him at the threshold. He shut the door behind him almost as quickly as he had opened it, frozen for a moment in disbelief. But the smell of smoke now rolling inside the living room shocked the lanky engineer to his senses and sent him fumbling for his cell phone. Dead—he'd let the battery run down. Domikis ran out the back door and across the road to a neighbor's house to get help. Meanwhile, his wife, Penni, was driving down their rural road with their son, Noah, and her mother and grandmother. They'd been out shopping for

Noah's first birthday party two days later. A bright orange spot shone over the horizon, the same color as Virginia's late-winter sunsets. But this sun was in the wrong place.

"The house is on fire!" Penni's mother cried. They watched in teary astonishment as thick black smoke poured from the windows.

Richard came running back from the neighbor's, remembering there was a tank of propane and a box of rifle bullets in the house. "Get back!" he screamed to his family, just after he heard one of the windows blow out.

Soon a team of volunteer firefighters was pumping water on the flames. Still, the inferno engulfed the home, leaving only the log walls standing.

My son is homeless, Penni thought. Richard, for his part, realized he had no clothes or shoes to wear to work. He called the insurance company, Allstate, which promised an adjuster would be there in the morning. But he still couldn't absorb his family's new reality. "After the fire has died down," he says, "you think, *Okay. Let's go home. Only there is no home.*"

A residential fire occurs every 83 seconds in the United States, and few events are more horrible. But even after everything they've accumulated over a lifetime has turned to ashes, some unfortunate homeowners—like the Domikises—learn that things can actually get worse.

SEARCHING FOR A HOME in Fredericksburg six months after their marriage,

the couple had declared victory on Spotswood Furnace Road. It was a three-bedroom, 2800-square-foot log house on eight acres. They paid \$158,350 and moved in February 1996.

The Domikises bought insurance from an Allstate agent only two-tenths of a mile away. Agent Thomas O'Dell presented them with the Allstate Deluxe Plus Homeowners policy, which offered full replacement cost should the structure need to be completely rebuilt. Coverage of the contents would be limited to a standard 75 percent of the home's value.

When setting the value of the house, O'Dell came up with \$140,000, based largely on the county tax assessment. Richard and Penni balked—the appraised value was \$175,500.

"You just don't understand the game," says Penni, quoting O'Dell from that day. This way, he explained, "Your premiums are lower, and you're covered for full replacement anyway." (O'Dell has retired; he had no comment for this story.) Despite their misgivings, the Domikises bought the policy; the annual premium was \$1000.

The house in the woods became the home they'd envisioned. Then, on February 11, 1999, the flames brought it all to an end. Although there was no official cause cited, the Domikises suspect a short circuit in an electric air purifier in the master bedroom.

The day after the fire, the Domikises walked over the burned, waterlogged foundation on a grim tour. Standing in the charred skeleton, looking up to

the sky, Richard asked himself: *Where do we start?*

He conferred with Larry Coats, an Allstate claims adjuster, while Penni compiled a list of their lost possessions. Coats wrote them a check for \$5000 on the spot. But before he left, he startled the couple when he indicated that their policy had limits.

Their home was a pile of ashes, but the bank still expected a \$1300 check every month.

When Penni mentioned the guaranteed replacement cost provision, Coats replied: "I don't think you have that." Of course we do, the Domnikises insisted. Coats told them, "We'll work it out" (Coats also declined to be interviewed.) A few days later he brought over the policy, and the problem became sickeningly apparent.

"You're aware that AP775 is an amendment that changed your policy?" Coats asked.

"What change?" Richard responded. Coats showed them a document they were supposed to have received a few weeks earlier. It began, "This endorsement changes your policy," then explained that "the home replacement cost guarantee is no longer available." The Domnikises were shocked; they were completely unaware of the notice and the change.

Endorsements are common and completely legal. But many home-

owners don't understand or pay attention when they receive them. They had better. "Policies are living documents that change," notes Ron Papa, president of National Fire Adjustment in Amherst, N.Y. In the industry, he says, a home insurance policy is known as "the least-read bestseller."

If they didn't have guaranteed re-

placement, the Domnikises demanded, what did Allstate say they had? Their coverage was now capped, Coats explained, and the limits were based on Allstate's valuation of their home—the same lowball number that had made them uneasy before.

Their amended policy would pay 120 percent of the \$146,000 value (the house had appreciated \$6000); roughly \$175,000. Richard says their house, after improvements and a rise in real estate prices, was worth more than \$250,000 and would cost nearly that much to rebuild.

As for the contents, Allstate would reimburse them \$109,500. In her tally of their destroyed possessions (including antiques, jewelry and computer equipment), Penni says, "I stopped counting at \$300,000." To put their home back together, the Domnikises figured, would mean spending some \$250,000 more than Allstate

FIVE WAYS NOT TO GET BURNED

- 1. Read your policy.** Most homeowners stuff this document in a drawer, ignoring its fine print until after a fire strikes. Discuss any renovations or major purchases with your agent, and make him show you—in writing—where they're covered. Also, read the notices of any policy changes that come with your bill.
- 2. Add coverage where needed.** Valuables, like jewelry, stamp collections or your wedding silver, may only be covered in full if you add a rider to your policy. (The cost is typically \$10 to \$50 per \$1000 in coverage.)
- 3. Keep up with the codes.** So you fell in love with that turn-of-the-century farmhouse, just make sure your policy covers the cost of complying with new building codes when rebuilding.
- 4. Don't get taken to the cleaners.** Your insurer may recommend that you have your possessions professionally cleaned. Not only is cleaning smoke-damaged clothes or furniture expensive (up to \$15,000 for a three-bedroom home), there's no guarantee your sofa won't smell sooty. You may be better off using the insurance settlement to buy new stuff.
- 5. Get help if you feel overwhelmed.** For a fee of about 10 percent of the settlement, accredited public insurance adjusters will do the dirty work of reading the technical jargon and guiding you through the complicated claims process.

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would pay—money they didn't have.

After a few days in a hotel, and several more with Penni's parents, the Domnikises found a rental house in a neighboring town. Expenses quickly ballooned. Even though the home they had bought was a pile of ashes, the bank still expected a \$1300 mortgage check every month.

The Domnikises already felt betrayed by Allstate. That made it even more galling when getting their interim living expenses approved required a volley of calls, faxes and questions on every bill. Payments were sometimes two months late. Allstate moved at "a snail's pace," says Penni. "They push and push and hope you go away."

Unwavering, the couple decided to build nearly the exact same home on the same spot. They got three estimates, from \$223,000 to \$241,000—all from Allstate-approved contractors. They went with a builder who charged by the week and was flexible on payment. Work began in fall 1999.

Richard was adamant that Allstate should pay. The Domnikises hired a lawyer, but Allstate didn't budge. So the couple raided their savings, Richard's 401(k) and an IRA—and heaped charges on their credit cards. The stress took its toll on the couple's relationship. A classic exchange would end with "What do you want me to do?" answered by, "What do you

want me to do?" Penni often pleaded with her husband to give up the fight.

But Richard wouldn't give up. He even called the governor's office. Finally Susan Taylor, a senior examiner for the Virginia Bureau of Insurance, began asking questions.

Allstate told her the policy change had been clearly explained to customers in form AP775. But the Domikises' notice had a different coding—AP7. (Allstate said it was a typographical error.) In an October 2000 letter, the state official asked Allstate if it intended to honor the guaranteed replacement cost provision in light of "misleading verbiage in the contract."

The Domikises would later refer to this inquiry as the "letter of gold" for turning their case around. Soon afterward, Jeffrey Williams, regional counsel for Allstate, made a stunning concession—that parts of the Domikis case can "be considered to have been misleading." Allstate issued a final check for \$48,000 and, exhausted, the Domikises took it.

After the dust settled, Allstate had

paid out \$230,500—approximately \$55,000 more than the limits the amended policy called for. In January 2000, Allstate dropped the Domikises, terminating their coverage.

The insurer declined to discuss the Domikis case. However a spokesman defended Allstate's practices, saying it handles each customer's claim in a prompt and fair way.

Nearly four years after the fire, Penni, 30, Richard, 39, and their three sons live in the new house on the old lot. And though the couple's anger has cooled somewhat, their resentment lingers like a curl of smoke on a still day. As Penni looks back on their ordeal, she says, "If I didn't have children, I would have driven a car through the Allstate building."

Their trial by fire offers precious lessons, they say, beyond caveat emptor No. 1, says Richard, is that "no matter how nice your agent is, you're dealing with a pool of lawyers when you lose your home." Another lesson: Read and update your coverage.

ROAD DOG

As I drove into a parking lot, I noticed that a pickup truck with a dog sitting behind the wheel was rolling toward a female pedestrian. She seemed oblivious, so I hit my horn to get her attention. She looked up just in time to jump out of the truck's path, and the vehicle bumped harmlessly into the curb and stopped.

I rushed to the woman's side to see if she was all right. "I'm fine," she assured me, "but if that dog hadn't honked ..."

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