

HOW TREE APPRAISAL RELATES TO THE INSURANCE INDUSTRY AND THE LEGAL PROFESSION¹

by Frederick R. Micha

Arboricultural, or even broader, horticultural appraisal for the insurance industry is a sleeping giant. For years insurance companies have relied on phone calls to a nebulous industry asking for claims settlement figures. It's here that both are wrong. Our arboricultural industry needs to strengthen and expand its interest in this field, making itself known, and that we offer a service to them. Correspondingly, the insurance industry needs to be aware that professionals exist to help them make fair and reasonable horticultural claim settlements; professionals that offer clear, concise and sensible figures. Several years ago when an insurance company called, we would 'double the price'. This type of thinking must stop if we are going to expand a new segment of business. Be fair! Anything we can do to keep loss claims down, we should, for it only reflects back to us in raised premiums.

I have found that most claims agents rely on local nurseries to give 'phone estimates'. This is a situation that must be changed. I have stressed to claims managers that their agents should call a qualified consultant for this service. There has been no negative reaction either for this person or towards the charge (I have a \$38 minimum).

'Phone estimates' instead of competent appraisal have cost the insurance industry hundreds of thousands of dollars. The insurance industry has not made a cost analysis of this but I know it's true.

My work with the Council of Tree and Landscape Appraisers has taken me into the core of the insurance business. The insurance industry is as wide as it is tall, complex, and huge beyond belief. But through many months of digging some light is coming through. The Insurance Service Office (ISO), headquartered in New York City, does 60% of the insurance 'writing' for the nation. The new 'Homeowners 76' policy was

written there. It's the new simplified version that cuts out all the legal terms and puts it into layman's language. It's the policy that raised the coverage from \$250 to \$500 on any one tree, shrub, or plant. This was good news to our industry.

Originally, six states were tested, now more than 24 states have been added. The following are and will be included by February 1978: Vermont, Georgia, Ohio, Illinois, Colorado, Nevada, Alaska, Delaware, Indiana, Missouri, Nebraska, Oregon, Montana, and Florida, with more to follow. I would project all 50 states will be included by 1980. Individual companies have the prerogative to increase or remain the same but most officials tell me they will eventually all go along with the change.

Basically, there are three kinds of homeowner policies, each one having a little more coverage than the next. Commercial policies have \$1,000 coverage on trees, shrubs, and plants. The CTLA is addressing itself to find companies that will be willing to include trees under special risk coverage. Once we have this information it will be made available to all of you. Companies such as Florist Insurance Company (FTD), Maryland Casualty Company, and American Home Insurance company will be willing to cover trees. Owners will have to pay \$5 to \$6 per \$100 extra. We have many homeowners in our individual localities that will pay this extra amount for their trees' protection.

Basically, insurance companies need competent tree appraisers for property loss primarily from vehicular accidents. The next major need is lightning loss, which is covered in most homeowner policies. The Council has an industry questionnaire underway to determine the extent of lightning strikes. Some of the questions asked are: 1) estimate the number of sudden storms, 2)

¹ Presented at the ISA conference in Philadelphia, Pennsylvania in August of 1977.

how many lightning strikes do you inspect, and 3) do you use the *ISA Guide to the professional evaluation of trees, specimen shrubs and evergreens*? The insurance industry has been criticized in many ways, but from what I gather, they are anxious to work with professionals and will pay claims promptly when they know they are getting a 'fair-shake.' I recently made two lightning strike calls, both were high wind damage. One owner was cheating. The other was just wrong. The charges to the insurance companies were about \$85. They could have paid out \$500.

There are 20 major insurance companies writing adjusted direct premiums of \$2.4 billion. Horticultural claim damage settlements are very small compared to auto repair and personal loss. This is especially true since the risk coverage does not include wind, which is the major cause of tree damages and destruction.

Historically, the courts have insisted on establishing loss value to trees and other horticultural plants as the difference between the property value as a whole, prior to a sudden storm, and the value of the property afterwards, with real estate appraisal as the governing element.

We have two paths to follow: 1) to have an amendment to the Internal Revenue Code which states:

"The amount of the loss shall be the difference between the fair market value of the property immediately before and immediately after the casualty. This may be established by competent appraisal or

by the reasonable cost of necessary repairs. In the case of losses involving landscape trees or other specimen plants of a size or type which cannot economically be replaced, it may be established by competent horticultural appraisal as to the value of the damaged plants alone, if without such replacement it is not possible to restore the property to its condition immediately before the casualty."

The other is to have a class action type suit and to win a case in court. It can be a tax court or any other. I know of two taxpayers in Rochester, New York who are going to fight, and Ed Irish in Michigan has another. If we fail here, then we must continue to battle until we win. The victory must be clear-cut and the values used must be established by our "Shade Tree Regulatory Guide."

We must continue to use every available facility to keep our name in front of the legal profession. If a tree is lost, they must immediately think of arborist consultant and arboricultural appraisal. It is a time-consuming and uphill battle. But, if we continue to stress our presence, continue to sponsor the CTLA's activities, and continue to think we will succeed, then we shall succeed.

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ABSTRACT

Baumgardt, J.P. 1977. **Suitable soils: texture and fertility.** *Grounds Maintenance* 12(6): 32-33, 36-39.

Soil texture and soil fertility are distinctly different aspects of soil science. Yet, in practice they often are confused. There's a difference between substances that alter soil texture and substances that primarily supply nutrients to plants and it pays to know when to use each. Both are necessary to good horticulture. The texture of soil depends on the organic and inorganic ingredients present and their relative proportions. Inorganic components of soil are sands, silts, and clays. Interspersed between these purely mineral substances are particles of organic matter. Soil texture can be modified by changing the percentages of inorganic constituents. When we speak of the fertility of soil we refer to the presence of chemicals needed by plants for vigorous growth. What we supply are minerals required to make plant protoplasm and minerals that make the energy-fixing cycles in the plant operative.