California Department of Insurance

What to Do After a Loss:

Protect the Property

One of the most important things to do after a property foss is make temporary repairs to prevent further damage. Do your best to protect your property by covering damage in roof, walls, doors, and windows with plastic sheeting or plywood. Homeowners insurance policies may not cover ensuing damage to your property if you have not taken reasonable steps to secure the property from subsequent damage. Be careful not to risk your own safety when making the repairs.

Your insurance company will reimburse you for all reasonable costs to protect your property, as long as you save receipts for any materials you buy. Beware of building contractors that encourage you to spend a lot of money on temporary repairs.

Remember that payments for temporary repairs are part of the total loss settlement. Also, don't make extensive permanent repairs until after the claims adjuster has been to your home and assessed the damage.

Call Your Insurance Agent or Company Representative

After a property loss you must report the damage to your insurance company agent or representative to start the claim process. Ask questions such as:

- Does my policy cover the property damage to my home?
- How long will it take to process my claim?
- Will I need to obtain estimates for repairs to the structure?
- What is my deductible? (The deductible is the portion of the loss you pay before your insurance company begins to pay.)

Dealing with Your Insurance Adjuster

Your insurance company may send you a claim form, known as a "proof-of-loss" form, to complete. (Proof-of-Loss is defined as any documentation in the claimant's possession, which provides evidence of the claim and that supports the magnitude or the amount of the claimed loss.)

A claims adjuster, a person professionally trained to assess the damage to your property, may visit your home before you're asked to complete any forms. The more information you have about your damaged home and belongings, the sooner your claim will be settled. Your adjuster generally will come prepared to do a thorough and complete evaluation of the damage to your home. If the adjuster is unable to complete a thorough inspection due to time constraints he/she may be forced to "scope the loss." This is a brief inspection of the damage with a second visit necessary to complete the inspection. The "scope of loss" should include the following:

1. Degree of damage
2. Quality of the materials and workmanship
3. Measurements needed to calculate quantities

The scope differs from the finished estimate in two ways:

1. The scope does not necessarily list any prices, although prices can be used to describe quality.
2. The scope does not list the calculated quantities; it includes just the raw counts and measurements needed to calculate quantities for the estimate.

Keep a log of all phone calls and correspondence, and make copies of all correspondence you send to, or receive from, your insurance company.

What May Be Covered by Your Homeowners Policy:

Additional Living Expenses

If your property is not safe for occupancy, keep receipts for all expenses associated with your relocation, such as emergency shelter, clothing, and food. These extra costs may be covered under the "loss-of-use" portion of your policy. You will be required to account for any covered expenses, so be sure to keep all of your bills and receipts. Any advance payments received will be counted toward your final claim settlement. Additional living expenses include items such as food and housing costs, and telephone or utility installation costs in a temporary residence. Also, extra transportation costs to and from work or school, relocation and storage expenses, and furniture rental for temporary

residence are eligible under additional living expense coverage. Your insurance company usually advances you money for these extra costs.

Personal Property

Making lists of all damaged items is a good place to start documenting your personal property loss. Include the brand names and model numbers of appliances and electronic equipment. If possible, take photographs of the damage. Don't forget to list items such as clothing, sports equipment, tools, china, linens, outside furniture, holiday decorations, and hobby materials. Put together a set of records – old receipts, bills, and photographs – to help establish the price and age of everything that was damaged. If your property was destroyed or you no longer have any records, you will have to work from memory. Try to picture the contents of every room and then write a description of what was there. Try also to remember where and when you bought each piece and about how much you paid. Video taping your possessions room-by-room before a loss is an excellent way to document damage to your personal property after a loss. Make sure to keep the video tape at a separate location (such as a safe deposit box), so it is not destroyed. Do not throw out any damaged items until you have been told to do so *by* the adjuster.

Dwelling

By identifying the structural damage to your home and other buildings on your premises, like a garage, tool shed, or in-ground swimming-pool, you can begin making a list of everything you would like to show the adjuster when he or she arrives. This should include cracks in the walls, damage to the floor or ceiling, and missing roofing tiles. If structural damage is likely, even though you can't see any signs of it, discuss this with your adjuster. In some cases the adjuster may recommend hiring a licensed engineer to inspect the property. Have the electrical system checked as well. Get written bids from reliable, licensed contractors on the repair work. The bids should include details of the materials to be used, and the prices should be listed on a line-by-line basis.

Trees and Shrubbery/Debris Removal

Trees, shrubs, and other plants are insured on a limited basis. The aggregate limit for a loss under this coverage generally is 5% of the dwelling limit of liability provided as an additional amount of insurance, with a sub-limit of $500.00 (and in some cases $250.00) for loss to any one tree, shrub, or plant. Check the language in your individual policy for the coverage that applies. If a covered loss leaves debris that must be removed, this coverage will allow the insured to apply a certain percentage, generally 5%, of the coverage limit to pay for their removal. These costs are included as part of the limit of liability applicable to covered property.

Water Damage

Homeowners policies do not cover flood damage, but they do cover other kinds of water damage. For example, they would generally pay for damage from rain coming through a hole in the roof or a broken window, as long as the hole was caused by strong winds or any other covered exposure listed in the policy. If there is water damage, check with your insurance company representative as to whether it is covered. (Flood insurance can be purchased as a separate policy in addition to your homeowners policy.)

Never ignore indications of an obvious water problem in your home. Homeowners should immediately attempt to find and stop leaks at the source. When water leaks into your property, moisture can collect, allowing mold to develop. Mold can cause further damage to your property and can potentially cause health problems. The adverse health effects from mold exposure can range from runny noses, coughs, nosebleeds, congestion, and sinusitis to more serious upper respiratory ailments such as asthma or bronchitis. Mold damage caused by a covered peril may be covered under your homeowners policy. You should immediately report any water damage claim to your agent or company representative. They can discuss the type of water or mold damage that may be covered under your policy. If sudden water damage occurs to your property, it is important to dry all wet areas, providing proper air circulation to aid in the drying process. Drying wet areas and dehumidifying can help minimize the possibility that mold will accompany water damage. Delay in cleanup can result in the growth of mold.

However, if you notice water damage indicating leakage aver a period of time, mold may have already developed. In this case, attempting to clean up the mold may spread the mold spores, causing greater property damage or health problems. Because mold can be dangerous to your health, it is important that mold testing and cleanup be conducted as soon as mold is detected. If you suspect the presence of mold after a water leakage, you should contact your claims adjuster immediately.

Building Code Upgrades

Building codes periodically change to conform to ever-rising safety and environmental standards. The codes have probably changed in your community to some extent since your home was built. Unless there is language in your policy covering additional costs associated with those changes, you may incur non-reimbursable expenses to rebuild in compliance with present codes. Such coverage appears as an "endorsement" – that is, as an option for "ordinance or law" coverage – for a small additional premium.

Replacement Cost Versus Actual Cash Value

Replacement cost is the dollar amount needed to replace a damaged item with one of similar kind and quality without deducting for depreciation – the decrease in value due to age, wear and tear, and other factors. An actual cash value policy pays the amount needed to replace the item at the current market value. For example, a tree falls through the roof onto your eight-year old washing machine. If you have a replacement cost policy for the contents of your home, the insurance company would pay to replace the old machine with a new one. If you have an actual cash value policy, the company would likely pay only a percentage of the cost of a new washing machine because a machine that has been in use for eight years would almost certainly be worth less than its original cost according to the current market value.

How the Payment Process Works

The first check you receive from the insurance company is often an advance, not a final payment. If you're offered an on-the-spot settlement, you can accept a check at that time. However, be sure that you understand what the check does and does not cover. Be wary of initial settlement offers that are represented as full settlements and as requiring a release of further liability. Under most circumstances, if additional damage is discovered later, you can "reopen" the claim and request additional compensation. As with your initial claim, you must notify your insurer immediately upon the discovery of additional damage.
When both the structure of your home and your personal belongings are damaged, you generally receive two separate checks from your insurance company. You should also receive a separate check covering your additional living expenses.

Structure

If your home is mortgaged, the check for home repairs will generally be made out to you and the mortgage lender. As a condition of granting a mortgage, lenders usually require that they are named in the homeowners policy and that they are a party to any insurance payments related to the structure. The lender gets equal rights to the insurance check to ensure that the necessary repairs are made to the property in which it has a significant financial interest. This means that the mortgage company or bank will have to endorse the check. Lenders generally put the money in an escrow account and release the funds to the policyholder as the work is completed. You should show the mortgage lender your contractor's bid and let them know how much the contractor wants up-front to begin the job. Your mortgage company may want to inspect the finished job before releasing the funds for final payment.

Personal Belongings

If you have a replacement cost policy for your possessions, you normally need to replace the damaged items before your insurance company will pay you the replacement cost. If you decide not to replace some items, you will be paid their actual cash value. You don't have to decide what to do immediately. Your insurance company will generally allow you several months from the date of the cash value payment to replace the item. Find out how many months you are allowed. Some insurance companies supply lists of vendors that can help replace your property.

What to Do If You Do Not Agree with the Settlement Offer

Know Your Rights Under the Unfair Practices Act and the Fair Claims Settlement Practices Regulations
Insurance Code section 790 and several following sections constitute the Unfair Practices Act. More particularly, Section 790.03(h) specifically lists a number of prohibited unfair claims settlement practices. The Unfair Practices Act requires an insurer's response to a notice of claim to include a copy of Section 790.03 and a written notice that, in addition to Section 790.03, Fair Claims Settlement Practices Regulations govern how insurance claims must be processed in this state. These regulations are found in Chapter 5 of Title 10 of the California Code of Regulations, and commence at Section 2695.1. You may request a copy of the regulations from the insurer, but an insurer is only required to provide you with a portion of the regulations. The full text of the regulations is available at the Department of Insurance Internet site, www.insurance.ca.gov.
The regulations specify time deadlines within which insurers must acknowledge, evaluate, make and communicate decisions on claims, and pay claims. They as well restrict the information that can be demanded from a claimant to information that is reasonably necessary in making a claim determination. The regulations provide that a denial of a claim must be in writing, with specified reasons for the denial, and must include a notification that if the claimant believes the claim to have been wrongfully denied, the matter may be reviewed by the Department of Insurance.

Talk to the Claims Manager

Do not hesitate to contact the claims manager to explain your concerns about the claims settlement if you do not agree with the settlement offer and have given the claims adjuster the opportunity to respond to your questions. Provide copies of supporting documents. Also, send a letter and copies of documents to the claims executive at the

insurance company's headquarters, whose address is usually found on the first or fast page of the policy.

Contact the California Department of Insurance

The Consumer Communications Bureau (CCB) is responsible for educating thousands of callers about the Department of Insurance's regulatory responsibilities and for providing information regarding insurance matters. The CCB has a toll-free Hotline which is staffed by over 40 officers with the expertise to handle a variety of insurance issues and complaints.

After listening to and discussing a consumer's concerns over the phone, a Hotline officer may decide to send the consumer a Request for Assistance (RFA) form to be completed and returned to the Department. The RFA provides the necessary information to open a claims investigation, which will be handled by officers in the Claims Services Bureau. The primary function of the Claims Services Bureau is to investigate complaints and answer questions related to the handling of claims. This Bureau determines if insurance companies are fulfilling their lawful obligations to policyholders that file claims.

Consult an Attorney

If you hire an attorney, provide him/her with a copy of your insurance policy and ail other relevant documents. Get your attorney's fee structure in writing before you give him/her your business. You will no longer talk directly with the insurance company, but can remain current on the progress of your claim by insisting that you receive copies from your attorney of all correspondence involving your case. Your attorney must have your approval before committing to any settlement.