

These materials are from United Policyholders.

Their website, at [www.uphelp.org](http://www.uphelp.org), is full of helpful information. We recommend you to that site and explore it. In particular we recommend:

1. Try clicking on “Disaster Recovery Help” on the left side, and click on Northern California Fires (the photo of the orange sky over the hills), and watch the brief video “Roadmap to Recovery.”
2. Click on “Claim Guidance Library” on the left side, and scroll down to “Fire” or “Smoke” – there you will see all of their materials available for download.

United Policyholders is also staffing the resource center in Santa Rosa – check their website for an update on that.



## Frequently asked questions about Home Insurance Claims in California

### Q: What should my first steps be?

If your home has been damaged or destroyed, you are likely to feel overwhelmed by the loss and by the repair, replace and recovery process that lies ahead. If your property was insured, that insurance policy is the best vehicle to get you back home. If this is your first experience with a large insurance claim, recognize that it's basically a business negotiation.

When it comes to insurance lingo, laws and construction estimating...you're not on a level playing field with the experienced insurance company. But although you may be unfamiliar with your policy and the process in general, there are laws and rules that give you rights. Use them to negotiate and recover the full benefits you're entitled to under the policy you paid for. Our goal is to help you understand the process and your rights so you can be your own best advocate and know where and how to get help if you need it.

**Start by reading your policy's "declarations page".** It shows how your policy is divided into coverage categories: Dwelling ("Coverage A"), Other Structures ("Coverage B"), Personal Property ("Coverage C"), Loss of Use/Additional Living Expenses ("Coverage D"), as well as other categories such as liability and medical payments. You may also have additional "Endorsements" or extras that may be listed on your declaration page. UP's ["Simplified Guide to Your Homeowners Policy"](#) will help you understand what's inside your policy.

Do your best to read your policy over and over until you have a basic understanding of what's in it. If you don't have a complete and current copy, ask for one (in writing) and make sure you and the company adjuster are working off the same document. There's math involved in figuring out how much you're entitled to for dwelling replacement<sup>1</sup>, debris removal, trees and building code compliance. If you rely only on the company adjuster to calculate your losses, you may leave money on the table. UP offers many publications to help you read and understand your policy but if you can't do it on your own, (and many can't), consider filing a

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<sup>1</sup> Most policies sold today include "extended replacement" coverage on the dwelling, which increases your "Coverage A" limits by a given percentage (commonly 25, 50, or 100 percent) if it turns out your Coverage A limits are inadequate to repair/replace your damaged/destroyed property. (Some policies apply this "extended replacement" benefit to Coverages B, C and D, but most will only apply it to increase Coverage A.)

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Request for Assistance with the California Department of insurance and/or hiring an experienced and reputable policyholder lawyer or public adjuster to help you.

**Q: What does the Additional Living Expense (ALE) part of my policy cover?**

Temporary rent, pet boarding and other expenses you have to cover because you've lost the use of your home;

**Gas and mileage:** If you have to drive further from your temporary home to school, work, shopping, Laundromat or elsewhere

**Food:** If your temporary home has no cooking facilities, submit restaurant receipts to your insurance company. Relocate to a fully equipped home as quickly as possible to avoid using up the ALE coverage you'll need for temporary rent.

Ask your insurance company (in writing) to give you a list of common items that are covered and reimbursable under Additional Living Expense, (or Loss of Use). Most policies contain either a dollar or a time limit (or both) that cap your total ALE benefits. If you lost your home in a declared disaster you get **at least** 24 months worth of coverage. (See CA. Ins. Code sec. 2060) If delays beyond your control cause you to run out of ALE benefits before repairs/rebuilding are completed, ask in writing for an extension and file a complaint with the California Department of Insurance if your request is denied.

Ask your insurer for an advance ALE payment to help you get on your feet, but know that ALE benefits are generally paid on a reimbursement basis. You have to pay for the item yourself then submit receipts. ALE does not cover items you were paying for before the loss, such as your mortgage.

If you're confused about whether an expense belongs in the ALE versus Contents or Dwelling coverage category, ask yourself: **Is this an expense I incurred because of the loss event?** If the answer is yes, put it under your ALE/Loss of Use coverage. **Replacement items for living:** As you replace things you need for daily living, (cooking utensils, personal hygiene, etc.) request reimbursement under your Contents coverage. Most people need all available ALE coverage to pay their rent during the repair/replacement phase.

**Q: Will my insurer cover the cost if I live in a trailer during reconstruction?**

If you're planning to rebuild/repair and stay in the area and are willing to live in a trailer, try negotiating with your insurer to "cash out" your Additional Living Expenses (ALE) coverage limits so that you can buy a trailer or motor home with your ALE policy limits instead of using the money to pay rent. Negotiating a cash-out gives you flexibility and saves you from having to submit more receipts and paperwork to your insurance company.

**Q: How long will it take for my insurance claim to be settled?**

Most people find it takes at least 18-24 months to repair/rebuild/replace their home and possessions after a large loss.

**Q: Who is responsible for clearing the debris from my lot and is that covered under my policy?**

The homeowner is responsible for clearing debris. Policies vary – if you have appropriate coverage, the cost for this work is covered. If your home was damaged or destroyed in a natural disaster, check with your local government officials to see if they’re coordinating a debris removal program. If your soil needs to be tested and/or re-compacted, work with the adjuster to make sure a qualified professional does the work at a reasonable cost.

**Helpful Math Hint:** One of the more common *additional coverages* in policies is an extra amount of money for debris removal. You have to read the coverage carefully and do the math – you may have debris removal coverage in an amount that is above the limits of your “A” dwelling coverage.

**Q: Is there anything I need to do before my lot gets cleared?**

Photograph recognizable items before they are taken away, particularly items your insurer removes for cleaning/salvage. Your insurer may bring in a company to clean and store items. Their fees usually get deducted from your insurance benefits for contents.

Disagreements often arise over whether damaged items are salvageable and can be cleaned or whether it makes more sense to replace them. Examine the items your insurer or cleaning company deem salvageable. If you feel they really can’t be cleaned, or that cleaning and storage costs will exceed the cost to replace them, work it out with the adjuster. After these costs get deducted from your contents insurance coverage, you’ll be left with less money to replace destroyed items.

**Helpful Hint:** It’s a good idea to confirm in writing with your insurance company that they have fully inspected the loss location to their satisfaction and that you can move forward with debris removal and clearing the site.

**Q: How can I get a fair claim settlement?**

If you’re like most people, your home is your biggest asset. Insurance companies often read their policies with a bias that is too much in their own favor. Don’t accept an insurance company’s calculation of what they owe on your claim without getting other opinions.

Read : **Dwelling Claim Tips:** [www.uphelp.org/dwelling](http://www.uphelp.org/dwelling)  
**Contents Claim Tips:** [www.uphelp.org/contents](http://www.uphelp.org/contents)

You can also refer to the **samples and examples** of our website, and get a free copy of the “little yellow” *Disaster Recovery Handbook and Household Inventory Guide* that has guided thousands of disaster victims through the recovery process since its publication in 2006.

You paid good money for insurance benefits and good claim service. Do your best to settle your claim directly with your adjuster/insurer by following United Policyholders tips. Try getting help from elected officials, Case Managers and government agencies. But if you run out of energy or time, or feel you’re over your head, hire qualified professional help. Depending on your particular situation, a construction professional, policyholder attorney or a reputable public adjuster can make a huge difference in getting you back home without further delays and aggravation. But always be careful before hiring anyone or signing contracts. Scam artists prey on disaster victims.

**Q: My adjuster seems friendly. Can I trust him/her?**

Trust but verify. Insurance companies are profit-making businesses, and their employees are not social workers. Your adjuster may be friendly, but he or she is not your friend. Remember: settling a large insurance claim is a business negotiation. The more you understand the process, the better you’ll do. Insurance companies naturally try to limit their payouts. There is a lot of confusing wording and legalese in insurance contracts that helps them do that, but there are laws to protect you and keep the claim process fair. Visit our website, use our library, and use our Ask an Expert forum. All our information is free to disaster survivors. [www.uphelp.org](http://www.uphelp.org).

**Q: What are the most common post-disaster insurance problems?**

- Not having enough coverage (“underinsured”)
- Delays
- Confusion over what’s covered and what’s not
- “Lowball” estimates and settlement offers
- The adjuster assigned to the claim is unpleasant or hard to work with
- Differences of opinion over scopes and values of losses

**Q: Does everyone have problems with their insurance company?**

NO. Many claims go relatively smoothly and we hope your does. But every large loss insurance claim is time-consuming.

**Q: What are my legal rights in California?**

Every insurance policy sold in the State of California requires the insurance company to act in good faith and deal fairly with you. Insurance companies and their agents cannot deceive or mislead you, and they must live up to promises they made to you. United Policyholders’ “Your Insurance Legal Rights in California” is a good starting point for becoming an informed, empowered consumer.

In California there are “**Fair Claim Handling Regulations,**” and there are laws that tell insurers what they must, can and can’t do. These laws are in an “**Insurance Code**” (a fancy name for the book of laws governing insurance). There are also laws created by Judges. Insurance companies are supposed to comply with all three: Regulations, statutory law, and case law.

California’s Fair Claim Handling Regulations are very useful and specific re:

- Deadlines for responding to letters and phone calls
- Deadlines for proofs of loss
- What information your insurance company must give you

You can read and print out these regulations and laws on the California Department of Insurance website: [www.insurance.ca.gov/0250-insurers/0500-legal-info/0100-insurance-code/index.cfm](http://www.insurance.ca.gov/0250-insurers/0500-legal-info/0100-insurance-code/index.cfm).

**Q: I think I may be underinsured/not have enough coverage for my home, contents or temporary living expenses. What should I do?**

Underinsurance is such a common problem after total losses that United Policyholders has an entire section of our website devoted to offering tips and strategies for people who are underinsured: [www.uphelp.org/claimtips/tip\\_underinsurance.html](http://www.uphelp.org/claimtips/tip_underinsurance.html). It is a challenging problem and there is no “one size fits all” solution. Much depends on the history of your policy limits.

**Q: Are there “good” and “bad” insurance companies?**

Some insurance companies have the reputation of being fairer and faster in handling claims than others. Speaking “UP” by learning your rights, keeping a claim diary and proving the value of your losses will help you get a fair settlement with any insurance company.

**Q: The insurance company will only pay according to its “pricing guidelines” but they don’t match what local contractors are charging —what can I do?**

Computers don’t repair and build homes...licensed contractors do. Your insurance company owes you for what an experienced and reputable contractor would charge you to do the required work to put your home back to its pre-loss condition. Insurance companies use guideline pricing and “Xactimate” (computerized home replacement cost estimating software) to predict how much materials and labor should cost. But an estimate prepared by a qualified local, licensed and bonded contractor who has visited the loss site and reviewed information about the pre-loss structure is generally the most reliable basis for a claim settlement.

**Q: My home is very badly damaged but my insurance company is refusing to pay anything up front for my contractor’s overhead and profit. I don’t have the cash to advance this item, and he won’t get started without it, so I’m stuck. What can I do?**

Push back and assert your rights. Overhead and profit, (“O & P”) is a known expense that all contractors charge, usually at a rate of 10% and 10%. An insurer that holds back O & P until repairs are completed puts the property owner in an impossible financial position. Under a replacement cost policy, if you have a signed contract to rebuild, it is wrong for your insurance company to hold back O & P until your home is completely repaired.

**Q: My insurance company keeps reducing what they’re going to pay by “depreciating” items in my claim; what can I do?**

Depreciation is frustrating and confusing to most people. It’s subjective—not a science. Each adjuster makes his or her own decisions on how much and which items they depreciate. That means it’s up to you to argue for more reasonable numbers. Many adjusters will try and apply a set depreciation across the board to every item. That’s not fair. The condition of an item, its age and its useful life are all factors to consider. Not everything in your home is subject to depreciation. For example, paint, vinyl and roofing are exposed to the elements, so of course they deteriorate and are subject to depreciation. The underlying materials that held your home together—studs, cement, rebar, and framing—are not. Studs can last 200 years, so don’t allow your adjuster/insurer to depreciate those items.

Adjusters and insurers rarely volunteer to tell you that if you submit receipts for items you replace, they **must** pay you the difference between what they paid you for the item’s Actual Cash Value (ACV) and what it actually cost you (if you have a Replacement Cost, not strictly ACV policy). For more information, read United Policyholders’ **Depreciation Basics**.

**Q: My adjuster is rushing me to complete my contents inventory, but I just can’t remember everything yet.**

It’s normal not to remember much after a traumatic loss. Take your time and don’t be pressured. Ninety nine percent of all disaster victims can’t remember much of what they had—even after months and years after their loss. UP offers free inventory forms and lists on a flash drive and on our website that will help jog your memory. If you’re not a computer person, use the lists in the *Disaster Recovery Handbook and Household Inventory Guide*.

If you allow yourself to be rushed into a fast settlement, you are definitely going to underestimate what you had and get less than you’re entitled to. Don’t forget to include taxes, transportation and shipping costs associated with replacing items. Your policy probably has a deadline for submitting your contents inventory. Ask in writing for extensions of time and if your insurer refuses, get help from the Department of Insurance and/or a qualified professional.

**Q: My home is only partially damaged, but it will look weird if half the vinyl siding is old and half is new. The insurance company is telling me they don’t owe for matching. Is that true?**

Generally speaking, the insurer owes to restore your property to its pre-loss condition subject to the dollar limits of your coverage. The appearance of your home after repairs have been made should be “**uniform and consistent.**” If you didn’t have two different colors of siding on your house before the loss, you don’t have to have them after the loss. Insurance should to put you back where you were before the loss. In recent years, some insurers have been sneaking new wording in to their policies that can cause problems in this area. For more information, read UP’s **Tips on Partial Losses** ([www.unitedpolicyholders.org/pdfs/ExtremeHeat.pdf](http://www.unitedpolicyholders.org/pdfs/ExtremeHeat.pdf)).

**Q: The contractor estimates I’ve received are \$20,000 and more above the ones the insurance company has gotten. How can I break the logjam and still hire the contractor I trust?**

Differences in construction estimates are a very, very common problem with large losses. Ideally, you and the insurance company should reach agreement on a “Scope” of loss that lists in detail the quantities and qualities of construction materials, the trades, labor, profit and overhead, building code compliance and every single item required to be priced to repair or rebuild your original home. If you can reach an agreement on a scope then have contractors bid on that –it’s far easier to break a logjam due to conflicting contractor estimates.

If you’ve submitted all the information that your insurance company needs to pay your dwelling claim, written follow-up letters and made phone calls to higher-ups in the company, but nothing’s worked, consider “Mediation” or “Appraisal” to resolve the difference. Mediation is an informal way of resolving problems without going to court. Insurance appraisals are like mini-trials without a jury. Almost every homeowner’s policy has an Appraisal section that is supposed to help resolve disputes over repair estimates.

If you and your insurance company are far apart on the amount you’re owed for repairs, consider using the appraisal process to settle the dispute. If you decide to use the process, ***make sure you get help from experts who don’t do most or all their work for the insurance industry or you’ll be wasting your time and money.***

For more information, read **Guidelines for Reviewing Adjuster and Contractor Estimates** ([www.uphelp.org/pdfs/Guidelines\\_Estimates.pdf](http://www.uphelp.org/pdfs/Guidelines_Estimates.pdf)) and **Policyholders Guide to Mediation.**

**Q: If I can’t handle this myself and I need to hire professional help, where do I find the right help?**

Read UP’s tips on hiring professional help, and visit the “Find Help” section at [www.uphelp.org](http://www.uphelp.org) Make sure you check references carefully, and hire only an experienced and reputable, licensed claim or law professional who specializes in representing *policyholders*, not insurance companies. If you need someone to help you document and value your losses, consider hiring a public adjuster and negotiate a fair fee - typically @7-10% of whatever they recover from the insurance company after you’ve hired them. If you need someone to help you exercise your legal rights, consider hiring a plaintiff-side insurance attorney on a contingent fee basis who will advance litigation costs if a settlement cannot be reached and a lawsuit becomes necessary.

The information presented in this publication is for general informational purposes, and should not be taken as legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the “Find Help” section of <http://www.uphelp.org>. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors or professionals identified at our website. United Policyholders respects and protects the privacy of all individuals who communicate with us. We do not sell or share our membership or mailing lists.



## General Claim Tips

### **1. REPORT YOUR CLAIM PROMPTLY AND BE INFORMED.**

Get a replacement copy of your policy and Declarations Page as soon as possible. Check the stated dollar limits for your main coverage categories: Dwelling, Contents (personal property), and Additional Living Expenses. Check for building code/ordinance coverage, "endorsements", (extra coverages), and "scheduled" personal property items, (artwork, jewelry, valuables). Make sure the policy limits accurately reflect the coverage you thought you had purchased. Get a copy of the regulations or laws that govern fair claim settlements in your state from your Department of Insurance and READ THEM!

### **2. MAINTAIN AN INSURANCE CLAIM DIARY.**

Take and keep detailed notes of all conversations with insurance company representatives...record their names, phone numbers, job titles and supervisor's names. Set deadlines and enforce them. Confirm agreements in writing.

### **3. YOU MUST COOPERATE WITH REASONABLE REQUESTS FOR INFORMATION BUT DO NOT GIVE RECORDED OR SWORN STATEMENTS ABOUT YOUR PROPERTY OR COVERAGE UNTIL YOU UNDERSTAND YOUR RIGHTS.**

You are legally obligated to cooperate with reasonable requests for information from your insurance company that relate to your claim. You may be asked to give a recorded statement or participate in an "Examination Under Oath", (often referred to as an "EUO") Use your own tape recorder to record your statement and the insurer's questions, and consult with an attorney before giving an EUO, particularly where the insurer has hired an attorney to conduct the EUO. Don't be intimidated.

**NOTE:** You are not obligated to give your insurer copies of tax returns.

### **4. UNDERSTAND YOUR RIGHTS BY LEARNING ABOUT THE REGULATIONS AND LAWS THAT GOVERN HOW INSURANCE CLAIMS ARE SUPPOSED TO BE HANDLED IN YOUR STATE.**

Every state has regulations and laws that govern how insurance companies are supposed to handle claims. The agency that regulates insurance companies in your state should give you information on the regulations and laws that protect you. Consumer organizations, policyholder attorneys, (check your local yellow pages under "Attorneys-Insurance", and public adjusters should also be sources of this information.

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**5. DOCUMENT YOUR LOSS AS THOROUGHLY AS YOU CAN.**

In most cases, written or photographic proof of destroyed items will also have been destroyed in a fire. Your descriptions of lost items, along with descriptions given by witnesses, family members, neighbors and friends, should suffice and your company must reimburse you according to your policy. Credit card companies and retailers can help you reconstruct purchases and identify replacement costs. Public adjusters can help if you are overwhelmed with the prospect of preparing a complete personal property inventory.

**IMPORTANT:** Always get your own appraisals and estimates to replace art, antiques, and valuables so you can compare them with those obtained by the insurance company.

**6. THERE IS A DIFFERENCE BETWEEN REPLACEMENT, GUARANTEED REPLACEMENT, AND ACTUAL CASH VALUE COVERAGE.**

"Actual Cash Value" is defined in California as "Fair Market Value", which is the amount a willing buyer would pay a willing seller under no duress. ACV does not mean replacement cost minus depreciation. Be prepared to fight to get the full amounts you're entitled to. Insurers often exploit consumer confusion on this issue and are inconsistent in the way they calculate and deduct depreciation.

**7. "ADDITIONAL LIVING EXPENSE" COVERAGE ENTITLES YOU TO MAINTAIN YOUR STANDARD OF LIVING.**

Submit for reimbursement all receipts of meals, lodging, and purchases from the time of the fire until your home is rebuilt. Maintain copies for your records. If insurance company delays or circumstances beyond your control made the rebuilding or repairs take longer, argue for longer ALE benefits.

**8. BE EXTREMELY CAUTIOUS ABOUT THE REBUILDING OF YOUR HOME. YOU ARE ENTITLED TO "LIKE KIND AND QUALITY."**

Guaranteed or extended replacement cost coverage entitles you to rebuild the same quality and style home you had, **EVEN IF THE COST OF REBUILDING EXCEEDS YOUR STATED POLICY LIMITS.** If you don't have this coverage, or coverage for "building code compliance" find out why you don't. Read your policy carefully, contact the agent through whom you bought the policy and get professional help.

**9. ALWAYS GET YOUR INDEPENDENT ESTIMATES AND CONSIDER HIRING YOUR OWN CONTRACTOR. YOU DO NOT HAVE TO ACCEPT THE INSURANCE COMPANY'S CONTRACTOR OR ESTIMATE.**

a. Beware of "lowball" estimates from insurance friendly contractors.

b. Get written estimates of the true cost of replacing or repairing your home from reputable, independent professionals you would hire to do the actual work.

c. If you do not intend to rebuild the exact same house, you are still entitled to settle your claim on the basis of estimates to replace what you had. To ensure a fair settlement, get

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contractor estimates on the original plans for your home. If none exist, it's worthwhile to pay to get "as-built" drawings of your former home and get contractor estimates on those drawings.

**10. MAKE SURE YOUR CONTRACTOR AND THE INSURER'S CONTRACTOR ARE BIDDING ON THE SAME "SCOPE."**

Get a "scope" of work from your adjuster that defines the amount and nature of repairs they believe are needed. Have an independent contractor review and if necessary, revise the scope. Try and reach an agreement with the adjuster on a scope, then get estimates on that scope so you and the insurer are comparing "apples to apples." This resolves the most common problem that turns claims into disputes.

**11. DO NOT SIGN ANY RELEASES OR WAIVERS OF ANY KIND UNTIL YOU KNOW YOUR RIGHTS.**

You should not have to sign a release to settle an undisputed claim. If your insurer wants you to sign a release, find out why and be cautious about signing away your rights.

**12. GET PROFESSIONAL HELP IF YOU NEED IT.**

Particularly on large claims, you may need the help of a professional to recover your full insurance benefits. Attorneys who specialize in representing policyholders (insureds), and public adjusters are available and may approach you. Contingent and percentage fee agreements allow consumers economical access to professional help but affect the amount of your settlement. Percentage fees are always negotiable. Check references and professional standing.

**13. IF YOUR BUSINESS WAS DESTROYED -- ALL THE ABOVE APPLY -- PLUS, YOU ARE ENTITLED TO COVERAGE FOR BUSINESS INTERRUPTION.**

But...Beware — business interruption coverage only lasts a specified period of time. Check your policy. Make sure the contractor completes repairs before your business interruption coverage is exhausted.

United Policyholders is a national 501(c)(3) non-profit organization serving insurance consumers since 1991. UP helps solve insurance problems and advocates for fairness in insurance transactions. The organization is funded by foundation grants and donations. Our work is divided into 3 program areas: Roadmap to Recovery™, Roadmap to Preparedness, and Advocacy and Action. We offer free tips, information and resources in print and online at [www.uphelp.org](http://www.uphelp.org).

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**DEPARTMENT OF INSURANCE**San Francisco, CA 94105  
www.insurance.ca.gov**NOTICE OF RECENTLY ENACTED STATUTES****To: ALL PROPERTY AND CASUALTY INSURERS AND INTERESTED PERSONS****Date: October 31, 2007****SUBJECT: Laws Enacted Subsequent to 2003 Southern California Wildfires**

The purpose of this Notice is to remind insurers and other licensees of provisions of law enacted after the 2003 wildfires that impact claims handling, renewals or underwriting of home owners coverage. These recent additions to the Insurance Code provide additional protections to victims of catastrophic losses such as those experienced due to the recent wildfires in southern California. The Department of Insurance expects careful adherence to the requirement of these laws by all insurers and other entities or persons doing insurance business in California.

<b>HOMEOWNER'S BILL OF RIGHTS of 2004</b>		
<b>Insurance Code Section</b>	<b>Summary of Law</b>	<b>Bill Information</b>
<b>§675.1 (a), (b), (c)</b> <i>Reconstruction of primary residence &amp; policy renewal</i>	<p>(a) Insurers cannot cancel insurance for a primary residence when it is up for renewal and hasn't been rebuilt yet. Insurers, with input from homeowner/insured, may adjust policy limits, coverage, and premium payment before or at the time of renewal.</p> <p>(b) Insurers cannot cancel insurance while the primary residence is being rebuilt, except for reasons stated in Insurance Code section 676. Insurer cannot use the fact that the primary residence is damaged as a basis for cancelling insurance.</p> <p>(c) Insurers must renew the insurance policy at least once if a total loss to the primary residence was caused by a disaster and not by the homeowner/insureds negligence.</p>	AB 2962 Ch. 605 (2004)
<b>§2051 (a) &amp; (b)</b> <i>Amount of recovery with an "actual cash value" policy</i>	<p>(a) The amount of recovery for fire insurance that requires payment of actual cash value for the loss is the expense to the homeowner/insured of replacing what was lost as of the time the fire began.</p> <p>(b) For a total loss to the home/structure, the amount recovered is the policy limit or the fair market value of the home/structure, whichever is less.            For a partial loss to the home/structure or loss to its</p>	AB 2962 Ch. 605 (2004)

	<p>contents, the amount recovered is what it costs to repair, rebuild or replace the home/structure or contents minus a fair and reasonable deduction for depreciation, whichever is less. The depreciation only applies to the parts of the home/structure that are subject to repair and replacement during the useful life of the structure.</p>	
<p><b>§2051.5</b>  <i>Amount of recovery with a “replacement cost” policy</i></p>	<p>Requires payment of the replacement cost for a fire loss based on what it would cost the homeowner/insured to repair, rebuild or replace the home without a deduction for physical depreciation.</p> <p>Allows at least 12 months to rebuild and still receive replacement costs with possibility of a 6 month extension. If a declared disaster (Governor’s State of Emergency), homeowner/insured has at least 24 months to repair, rebuild or replace the home.</p> <p>Allows homeowner/insured after a total loss, to rebuild or replace the home at a location other than the original location of the total loss.</p>	<p>AB 2199                  Ch. 311                  (2004)</p>
<p><b>§10089.70 (b)</b>  <i>Homeowner’s Mediation Program</i></p>	<p>Claims for residential property losses (other than from earthquakes) occurring after 9/30/2003 for which the Governor has declared a state of emergency, may be referred by the Department of Insurance to it’s mediation program for discussion of possible payments over the policy limits. Sets other conditions for mediation.</p>	<p>SB 64                  Ch. 357                  (2004)</p>
<p><b>§10102</b>  <b>§10103</b>  <b>§10103.5</b>  <i>Property Insurance Disclosure form</i></p>	<p>Modifies the California Residential Property Insurance Disclosure form that insurers have to send to homeowners/insureds. Adds a new disclosure requirement known as the California Residential Property Insurance Bill of Rights which has to be sent to homeowners/insureds every other year.</p>	<p>SB 1855                  Ch. 385                  (2004)</p>
<b>OTHER PROTECTIONS</b>		
<p><b>§678</b>  <i>Policy expiration, renewal, notice</i></p>	<p>Insurers must inform insureds in writing of any increase or decrease in the annual premium for residential property insurance and certain other insurance compared to the previous year; the reasons for the change; telephone numbers and information regarding consumer complaints.</p>	<p>AB 1191                  Ch. 571                  (2003)</p>
<p><b>§679.9</b>  <i>Information to</i></p>	<p>If insurer changes annual premium, an insured can request in writing certain information that shall be sent to the insured</p>	

<i>insureds when annual premium payment changes</i>	within 15 business days of the request.	
<b>§791.12</b> <i>Adverse Underwriting Decisions</i>	Insurers cannot cancel, fail to renew, increase premium amount (adverse underwriting decisions) based on the fact that the insureds has asked questions about their residential fire or property insurance policy limits, coverage, etc.	AB 1049 Ch. 442 (2003)
<b>§2060</b> <i>Additional Living Expenses</i>	If a state of emergency has been declared, coverage for additional living expenses shall be for a period of 24 months. Insureds must provide homeowner/insureds with a list of items that are covered by the “additional living expense” part of the insurance policy.	SB 2 Ch. 447 (2005)
<b>§677.4</b> <i>Notice Requirements for Cancellation</i>  <b>§2071; §2074.7; §2074.8; §5093; §6010</b> <i>Fire Ins. policies</i>	Establishes the notice requirements for cancellation of property insurance to at least 20 days, except if cancellation is for non-payment of premiums then at least 10 days.  These sections revise the California Standard Form Fire Insurance Policy, the California Standard Form of County Fire Insurance Policy and amend cancellation rights and responsibilities.	AB 1727 Ch. 148 (2003)
<b>§15006 &amp; 15027</b> <i>Public Insurance Adjusters</i>  <b>§15027.1</b> <i>Public Insurance Adjuster Disaster Assistance</i>	Raises the fines for violations of these provisions. Adds requirements to the contract between the Adjuster and the insured/client.  Prohibits a public insurance adjuster from soliciting business from homeowners/insureds until seven (7) days after a disaster (state of emergency declared by Governor or more than 25 dwellings damaged or destroyed), unless the homeowner/insured or their representative contacts the adjuster directly.	AB 1953 Ch. 600 (2004)  SB 518 Ch. 448 (2005)

Dated: October 31, 2007

\_\_\_\_\_/s/\_\_\_\_\_.  
**DENNIS WARD**  
 Chief Deputy Insurance Commissioner-Operations



## Frequently asked questions about Home Insurance Claims in California

### Q: What should my first steps be?

If your home has been damaged or destroyed, you are likely to feel overwhelmed by the loss and by the repair, replace and recovery process that lies ahead. If your property was insured, that insurance policy is the best vehicle to get you back home. If this is your first experience with a large insurance claim, recognize that it's basically a business negotiation.

When it comes to insurance lingo, laws and construction estimating...you're not on a level playing field with the experienced insurance company. But although you may be unfamiliar with your policy and the process in general, there are laws and rules that give you rights. Use them to negotiate and recover the full benefits you're entitled to under the policy you paid for. Our goal is to help you understand the process and your rights so you can be your own best advocate and know where and how to get help if you need it.

**Start by reading your policy's "declarations page".** It shows how your policy is divided into coverage categories: Dwelling ("Coverage A"), Other Structures ("Coverage B"), Personal Property ("Coverage C"), Loss of Use/Additional Living Expenses ("Coverage D"), as well as other categories such as liability and medical payments. You may also have additional "Endorsements" or extras that may be listed on your declaration page. UP's ["Simplified Guide to Your Homeowners Policy"](#) will help you understand what's inside your policy.

Do your best to read your policy over and over until you have a basic understanding of what's in it. If you don't have a complete and current copy, ask for one (in writing) and make sure you and the company adjuster are working off the same document. There's math involved in figuring out how much you're entitled to for dwelling replacement<sup>1</sup>, debris removal, trees and building code compliance. If you rely only on the company adjuster to calculate your losses, you may leave money on the table. UP offers many publications to help you read and understand your policy but if you can't do it on your own, (and many can't), consider filing a

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<sup>1</sup> Most policies sold today include "extended replacement" coverage on the dwelling, which increases your "Coverage A" limits by a given percentage (commonly 25, 50, or 100 percent) if it turns out your Coverage A limits are inadequate to repair/replace your damaged/destroyed property. (Some policies apply this "extended replacement" benefit to Coverages B, C and D, but most will only apply it to increase Coverage A.)

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Request for Assistance with the California Department of insurance and/or hiring an experienced and reputable policyholder lawyer or public adjuster to help you.

**Q: What does the Additional Living Expense (ALE) part of my policy cover?**

Temporary rent, pet boarding and other expenses you have to cover because you've lost the use of your home;

**Gas and mileage:** If you have to drive further from your temporary home to school, work, shopping, Laundromat or elsewhere

**Food:** If your temporary home has no cooking facilities, submit restaurant receipts to your insurance company. Relocate to a fully equipped home as quickly as possible to avoid using up the ALE coverage you'll need for temporary rent.

Ask your insurance company (in writing) to give you a list of common items that are covered and reimbursable under Additional Living Expense, (or Loss of Use). Most policies contain either a dollar or a time limit (or both) that cap your total ALE benefits. If you lost your home in a declared disaster you get **at least** 24 months worth of coverage. (See CA. Ins. Code sec. 2060) If delays beyond your control cause you to run out of ALE benefits before repairs/rebuilding are completed, ask in writing for an extension and file a complaint with the California Department of Insurance if your request is denied.

Ask your insurer for an advance ALE payment to help you get on your feet, but know that ALE benefits are generally paid on a reimbursement basis. You have to pay for the item yourself then submit receipts. ALE does not cover items you were paying for before the loss, such as your mortgage.

If you're confused about whether an expense belongs in the ALE versus Contents or Dwelling coverage category, ask yourself: **Is this an expense I incurred because of the loss event?** If the answer is yes, put it under your ALE/Loss of Use coverage. **Replacement items for living:** As you replace things you need for daily living, (cooking utensils, personal hygiene, etc.) request reimbursement under your Contents coverage. Most people need all available ALE coverage to pay their rent during the repair/replacement phase.

**Q: Will my insurer cover the cost if I live in a trailer during reconstruction?**

If you're planning to rebuild/repair and stay in the area and are willing to live in a trailer, try negotiating with your insurer to "cash out" your Additional Living Expenses (ALE) coverage limits so that you can buy a trailer or motor home with your ALE policy limits instead of using the money to pay rent. Negotiating a cash-out gives you flexibility and saves you from having to submit more receipts and paperwork to your insurance company.

**Q: How long will it take for my insurance claim to be settled?**

Most people find it takes at least 18-24 months to repair/rebuild/replace their home and possessions after a large loss.

**Q: Who is responsible for clearing the debris from my lot and is that covered under my policy?**

The homeowner is responsible for clearing debris. Policies vary – if you have appropriate coverage, the cost for this work is covered. If your home was damaged or destroyed in a natural disaster, check with your local government officials to see if they’re coordinating a debris removal program. If your soil needs to be tested and/or re-compacted, work with the adjuster to make sure a qualified professional does the work at a reasonable cost.

**Helpful Math Hint:** One of the more common *additional coverages* in policies is an extra amount of money for debris removal. You have to read the coverage carefully and do the math – you may have debris removal coverage in an amount that is above the limits of your “A” dwelling coverage.

**Q: Is there anything I need to do before my lot gets cleared?**

Photograph recognizable items before they are taken away, particularly items your insurer removes for cleaning/salvage. Your insurer may bring in a company to clean and store items. Their fees usually get deducted from your insurance benefits for contents.

Disagreements often arise over whether damaged items are salvageable and can be cleaned or whether it makes more sense to replace them. Examine the items your insurer or cleaning company deem salvageable. If you feel they really can’t be cleaned, or that cleaning and storage costs will exceed the cost to replace them, work it out with the adjuster. After these costs get deducted from your contents insurance coverage, you’ll be left with less money to replace destroyed items.

**Helpful Hint:** It’s a good idea to confirm in writing with your insurance company that they have fully inspected the loss location to their satisfaction and that you can move forward with debris removal and clearing the site.

**Q: How can I get a fair claim settlement?**

If you’re like most people, your home is your biggest asset. Insurance companies often read their policies with a bias that is too much in their own favor. Don’t accept an insurance company’s calculation of what they owe on your claim without getting other opinions.

Read : **Dwelling Claim Tips:** [www.uphelp.org/dwelling](http://www.uphelp.org/dwelling)  
**Contents Claim Tips:** [www.uphelp.org/contents](http://www.uphelp.org/contents)

You can also refer to the **samples and examples** of our website, and get a free copy of the “little yellow” *Disaster Recovery Handbook and Household Inventory Guide* that has guided thousands of disaster victims through the recovery process since its publication in 2006.

You paid good money for insurance benefits and good claim service. Do your best to settle your claim directly with your adjuster/insurer by following United Policyholders tips. Try getting help from elected officials, Case Managers and government agencies. But if you run out of energy or time, or feel you’re over your head, hire qualified professional help. Depending on your particular situation, a construction professional, policyholder attorney or a reputable public adjuster can make a huge difference in getting you back home without further delays and aggravation. But always be careful before hiring anyone or signing contracts. Scam artists prey on disaster victims.

**Q: My adjuster seems friendly. Can I trust him/her?**

Trust but verify. Insurance companies are profit-making businesses, and their employees are not social workers. Your adjuster may be friendly, but he or she is not your friend. Remember: settling a large insurance claim is a business negotiation. The more you understand the process, the better you’ll do. Insurance companies naturally try to limit their payouts. There is a lot of confusing wording and legalese in insurance contracts that helps them do that, but there are laws to protect you and keep the claim process fair. Visit our website, use our library, and use our Ask an Expert forum. All our information is free to disaster survivors. [www.uphelp.org](http://www.uphelp.org).

**Q: What are the most common post-disaster insurance problems?**

- Not having enough coverage (“underinsured”)
- Delays
- Confusion over what’s covered and what’s not
- “Lowball” estimates and settlement offers
- The adjuster assigned to the claim is unpleasant or hard to work with
- Differences of opinion over scopes and values of losses

**Q: Does everyone have problems with their insurance company?**

NO. Many claims go relatively smoothly and we hope your does. But every large loss insurance claim is time-consuming.

**Q: What are my legal rights in California?**

Every insurance policy sold in the State of California requires the insurance company to act in good faith and deal fairly with you. Insurance companies and their agents cannot deceive or mislead you, and they must live up to promises they made to you. United Policyholders’ “Your Insurance Legal Rights in California” is a good starting point for becoming an informed, empowered consumer.

In California there are “**Fair Claim Handling Regulations,**” and there are laws that tell insurers what they must, can and can’t do. These laws are in an “**Insurance Code**” (a fancy name for the book of laws governing insurance). There are also laws created by Judges. Insurance companies are supposed to comply with all three: Regulations, statutory law, and case law.

California’s Fair Claim Handling Regulations are very useful and specific re:

- Deadlines for responding to letters and phone calls
- Deadlines for proofs of loss
- What information your insurance company must give you

You can read and print out these regulations and laws on the California Department of Insurance website: [www.insurance.ca.gov/0250-insurers/0500-legal-info/0100-insurance-code/index.cfm](http://www.insurance.ca.gov/0250-insurers/0500-legal-info/0100-insurance-code/index.cfm).

**Q: I think I may be underinsured/not have enough coverage for my home, contents or temporary living expenses. What should I do?**

Underinsurance is such a common problem after total losses that United Policyholders has an entire section of our website devoted to offering tips and strategies for people who are underinsured: [www.uphelp.org/claimtips/tip\\_underinsurance.html](http://www.uphelp.org/claimtips/tip_underinsurance.html). It is a challenging problem and there is no “one size fits all” solution. Much depends on the history of your policy limits.

**Q: Are there “good” and “bad” insurance companies?**

Some insurance companies have the reputation of being fairer and faster in handling claims than others. Speaking “UP” by learning your rights, keeping a claim diary and proving the value of your losses will help you get a fair settlement with any insurance company.

**Q: The insurance company will only pay according to its “pricing guidelines” but they don’t match what local contractors are charging —what can I do?**

Computers don’t repair and build homes...licensed contractors do. Your insurance company owes you for what an experienced and reputable contractor would charge you to do the required work to put your home back to its pre-loss condition. Insurance companies use guideline pricing and “Xactimate” (computerized home replacement cost estimating software) to predict how much materials and labor should cost. But an estimate prepared by a qualified local, licensed and bonded contractor who has visited the loss site and reviewed information about the pre-loss structure is generally the most reliable basis for a claim settlement.

**Q: My home is very badly damaged but my insurance company is refusing to pay anything up front for my contractor’s overhead and profit. I don’t have the cash to advance this item, and he won’t get started without it, so I’m stuck. What can I do?**

Push back and assert your rights. Overhead and profit, (“O & P”) is a known expense that all contractors charge, usually at a rate of 10% and 10%. An insurer that holds back O & P until repairs are completed puts the property owner in an impossible financial position. Under a replacement cost policy, if you have a signed contract to rebuild, it is wrong for your insurance company to hold back O & P until your home is completely repaired.

**Q: My insurance company keeps reducing what they’re going to pay by “depreciating” items in my claim; what can I do?**

Depreciation is frustrating and confusing to most people. It’s subjective—not a science. Each adjuster makes his or her own decisions on how much and which items they depreciate. That means it’s up to you to argue for more reasonable numbers. Many adjusters will try and apply a set depreciation across the board to every item. That’s not fair. The condition of an item, its age and its useful life are all factors to consider. Not everything in your home is subject to depreciation. For example, paint, vinyl and roofing are exposed to the elements, so of course they deteriorate and are subject to depreciation. The underlying materials that held your home together—studs, cement, rebar, and framing—are not. Studs can last 200 years, so don’t allow your adjuster/insurer to depreciate those items.

Adjusters and insurers rarely volunteer to tell you that if you submit receipts for items you replace, they **must** pay you the difference between what they paid you for the item’s Actual Cash Value (ACV) and what it actually cost you (if you have a Replacement Cost, not strictly ACV policy). For more information, read United Policyholders’ **Depreciation Basics**.

**Q: My adjuster is rushing me to complete my contents inventory, but I just can’t remember everything yet.**

It’s normal not to remember much after a traumatic loss. Take your time and don’t be pressured. Ninety nine percent of all disaster victims can’t remember much of what they had—even after months and years after their loss. UP offers free inventory forms and lists on a flash drive and on our website that will help jog your memory. If you’re not a computer person, use the lists in the *Disaster Recovery Handbook and Household Inventory Guide*.

If you allow yourself to be rushed into a fast settlement, you are definitely going to underestimate what you had and get less than you’re entitled to. Don’t forget to include taxes, transportation and shipping costs associated with replacing items. Your policy probably has a deadline for submitting your contents inventory. Ask in writing for extensions of time and if your insurer refuses, get help from the Department of Insurance and/or a qualified professional.

**Q: My home is only partially damaged, but it will look weird if half the vinyl siding is old and half is new. The insurance company is telling me they don’t owe for matching. Is that true?**

Generally speaking, the insurer owes to restore your property to its pre-loss condition subject to the dollar limits of your coverage. The appearance of your home after repairs have been made should be “**uniform and consistent.**” If you didn’t have two different colors of siding on your house before the loss, you don’t have to have them after the loss. Insurance should to put you back where you were before the loss. In recent years, some insurers have been sneaking new wording in to their policies that can cause problems in this area. For more information, read UP’s **Tips on Partial Losses** ([www.unitedpolicyholders.org/pdfs/ExtremeHeat.pdf](http://www.unitedpolicyholders.org/pdfs/ExtremeHeat.pdf)).

**Q: The contractor estimates I’ve received are \$20,000 and more above the ones the insurance company has gotten. How can I break the logjam and still hire the contractor I trust?**

Differences in construction estimates are a very, very common problem with large losses. Ideally, you and the insurance company should reach agreement on a “Scope” of loss that lists in detail the quantities and qualities of construction materials, the trades, labor, profit and overhead, building code compliance and every single item required to be priced to repair or rebuild your original home. If you can reach an agreement on a scope then have contractors bid on that –it’s far easier to break a logjam due to conflicting contractor estimates.

If you’ve submitted all the information that your insurance company needs to pay your dwelling claim, written follow-up letters and made phone calls to higher-ups in the company, but nothing’s worked, consider “Mediation” or “Appraisal” to resolve the difference. Mediation is an informal way of resolving problems without going to court. Insurance appraisals are like mini-trials without a jury. Almost every homeowner’s policy has an Appraisal section that is supposed to help resolve disputes over repair estimates.

If you and your insurance company are far apart on the amount you’re owed for repairs, consider using the appraisal process to settle the dispute. If you decide to use the process, ***make sure you get help from experts who don’t do most or all their work for the insurance industry or you’ll be wasting your time and money.***

For more information, read **Guidelines for Reviewing Adjuster and Contractor Estimates** ([www.uphelp.org/pdfs/Guidelines\\_Estimates.pdf](http://www.uphelp.org/pdfs/Guidelines_Estimates.pdf)) and **Policyholders Guide to Mediation.**

**Q: If I can’t handle this myself and I need to hire professional help, where do I find the right help?**

Read UP’s tips on hiring professional help, and visit the “Find Help” section at [www.uphelp.org](http://www.uphelp.org) Make sure you check references carefully, and hire only an experienced and reputable, licensed claim or law professional who specializes in representing *policyholders*, not insurance companies. If you need someone to help you document and value your losses, consider hiring a public adjuster and negotiate a fair fee - typically @7-10% of whatever they recover from the insurance company after you’ve hired them. If you need someone to help you exercise your legal rights, consider hiring a plaintiff-side insurance attorney on a contingent fee basis who will advance litigation costs if a settlement cannot be reached and a lawsuit becomes necessary.

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The information presented in this publication is for general informational purposes, and should not be taken as legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the “Find Help” section of <http://www.uphelp.org>. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors or professionals identified at our website. United Policyholders respects and protects the privacy of all individuals who communicate with us. We do not sell or share our membership or mailing lists.



Summer, 2012

Dear Friends,

How do you begin the recovery process when everything you own is gone? It is a difficult question to answer and if you are reading this, I am sorry it is one that you are facing. The key word to focus on is *process*, and you begin it slowly, one step at a time.

Our suburban San Diego home and all my family's possessions burned to the ground on October 26, 2003, in the largest wildfire in California history. One of the few positive aspects of the experience is the knowledge I gained in the recovery process and the work I now do as the Outreach Coordinator for United Policyholders.

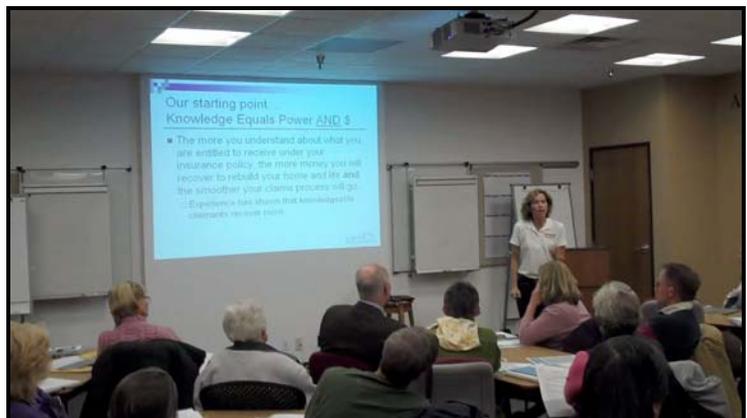
United Policyholders, (UP) is a tax-exempt non-profit organization dedicated to educating the public on insurance issues and consumer rights. UP is a trusted resource for insurance consumers ("policyholders") throughout the country. Grants and donations fund the organization's work.

Since 1991 UP has been working in regions hit by natural disasters, helping solve problems and advocating for fairness in insurance transactions. Our website, [www.uphelp.org](http://www.uphelp.org) offers extensive free help and information. Individuals, reporters and public officials from all over the United States contact us and visit our website each day.

Your homeowners' insurance policy is a vehicle to put you back where you were before a loss, but it won't drive itself. UP's Roadmap to Recovery program offers resources to help you. Most people get through the financial recovery process just fine on their own. If you end up deciding to hire professional help to get a fair settlement, you can use our website and tips to hire the right help.

We offer our services to your community and look forward to helping you navigate toward the light at the end of the tunnel.

Warm regards, Karen Reimus



This photo is of a Roadmap to Recovery educational workshop I facilitated in Nov, 2010 for Fourmile Canyon wildfire survivors in Boulder, Colorado.



## Your Insurance Legal Rights As A Property Owner In California

California has more laws to protect insurance policyholders than any other state in the country. These laws tell insurers what they must, can and cannot do. There are laws made by judges and legislators in Sacramento called “case laws” and “statutes” or “code provisions”. There are laws called “regulations” that are written by the state Department of Insurance. But a law is a law – regardless of fancy labels.

There are many laws that tell companies and their representatives how they must behave when insured property is damaged and a claim is filed. Many people, *including claim adjusters* are not aware of these laws. Some companies and adjusters routinely break these laws when handling claims – knowingly and unknowingly. This is particularly true when it comes to California’s “Fair Claim Settlement Practices Regulations. Many claim adjusters and even company executives have no idea that these regulations exist – let alone what they say.

If you arm yourself with some basic knowledge about the laws that protect you, you can speed up your settlement and improve your odds of getting paid what you’re owed.

At the end of these tips, we tell you how to get free copies of the laws that protect homeowners in California. Your insurer was supposed to give them to you 15 days after you filed your claim. (CA. Ins. Code sec. 790.034 (b)) Just in case they didn’t, here’s a review of the ones that may help you settle and get back home. *There are many more laws than the ones we list here.*

The most important law to remember is that your insurance company has the legal duty to investigate, process, and pay your claim fully, promptly and in **good faith** and **deal with you** fairly at all times.

For specifics on claim rules, deadlines and what you’re owed, you’ll want to know about California’s Fair Claim Handling Regulations. They spell out:

- Deadlines for responding to letters and phone calls
- Deadlines for your insurer to pay or deny
- Deadlines for submitting paperwork to prove your loss
- What information your insurance company must give you
- What information you must give your insurance company

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## **“GOOD FAITH”**

You are legally entitled to be treated in “good faith” by your insurance company and its representatives at all times. This means your insurer must be considerate of your needs. It must communicate fully and honestly with you about the policy it sold you and about rights and duties relating to your claim. In turn, you are legally obligated to be honest and to cooperate with reasonable requests for information relevant to your claim. Cal. Insurance Code sec. 790.03 is the main place to read these requirements. They’re also included in portions of Cal. Insurance Code sec. 2071.

All representatives of your insurance company are **legally required** to tell you the truth. This includes in-person conversations and all communication by phone, letters, emails and all advertising and printed materials. This means they must be honest about what they sell you, what you’ve paid for and what you’re entitled to if you file a claim. An insurer “shall not cause to be issued, circulated or used, any statement that is known, or should be known, to be a misrepresentation” of the benefits or privileges of the policy or future dividends payable under the policy. [Cal Ins Code 780] No insurer shall misrepresent to a “claimant pertinent facts or insurance policy provisions relating to any coverages at issue”. [Cal Ins Code 790.03]

No insurer shall discriminate in its claim settlement practices on the basis of a claimant’s age, race, gender, income, religion, language, sexual orientation, ancestry, national origin, physical disability or upon the territory of the property or person insured. [Cal Code of Regs 2695.7]

You are entitled to a “good faith” settlement. Every insurer must attempt “in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear”. An insurer cannot make an “unreasonably low” offer, that is, attempting to settle a claim “for less than the amount to which a reasonable person would have believed he or she was entitled by reference to written or printed advertising material accompanying or made part of the application”. [Cal Ins Code 790.02]

Your insurer must conduct a reasonable investigation on its own **and** take into account all evidence you have submitted (such as your inventory lists, photographs, blueprints, independent scopes of loss, repair estimates, and appraisals on antiques, art or jewelry) in making the settlement offer. [Cal Code of Regulations 2695.7 and 2695.9]  
Depreciation/Actual Cash Value holdbacks must be reasonable and not excessive.

## **PROMPT, HONEST & COMPLETE COMMUNICATIONS**

You are entitled to prompt, timely communications from your insurer. The company (and all its representatives) must respond to your communications within “15 calendar days” with “a complete response based on the facts then known.” Any question you ask, and any request you make must be responded to by the insurer within 15 calendar days.

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You must get in the habit of sending your insurer letters or emails, so there is a record of who said what and when. That doesn't mean you should stop talking to your adjuster. If you request copies of your current policy and policy history, including previous policies, policy upgrades, notices of changes, etc. (something UP highly recommends you request in writing), your insurer must respond to your request within 15 calendar days. [Cal Code of Regs 2695]

Your insurer must tell you about all deadlines that apply to your claim and the fact that there is a deadline for filing a lawsuit against them. [Ins. Code 2071 and Cal Code of Regs 2695.7] Once that deadline passes you lose the right to sue them, even if they have broken the law and cheated you. That deadline is called a "statute of limitations" and its purpose is to provide finality and keep things moving forward. There is one deadline for suing an insurance agent and a different one for suing an insurance company, but to find out exactly what yours is – you'll need to consult with an attorney before the one-year anniversary of your loss. Why? Because in the state of California it's tricky. There's something called "tolling". Your deadline is "tolled" (postponed) as long as your claim is still being processed but once they deny it – the clock starts again. An insurer cannot mislead you about this but it's a common source of confusion. [Cal. Ins. Code 790.03]

## **FAIR CLAIMS PROCESS**

Unless specified in your policy, you do not have to use the exact forms provided by your insurer to do your contents list. A neat (hopefully, typed) list with replacement prices should work. An insurer cannot ask for unreasonable "proofs of loss" such as secondary proofs. For example, if you provide photographs or video of items in your home, you cannot then be compelled to provide receipts as well if they contain essentially the same information. [Cal. Ins. Code 790.03]

You have a right to receive a copy of every claim-related document in your file. An insurer shall "notify every claimant that they may obtain, upon request, copies of claim-related documents..." including construction estimates, photographs and the documentation backing up their estimates and "all other valuation". This means how your contents and construction estimates may have been depreciated. [See "Requirements in case loss occurs" in Cal Ins Code 2071.]<sup>1</sup> The only thing you are not entitled to receive is attorney-client privileged communications and their attorney work. This means valuations, photographs, measurements, adjustor notes and reports, contents depreciation schedules, construction depreciation schedules, materials estimates, etc. are all part of your claims process, and you are entitled to receive *complete* copies of these so you can review them.

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<sup>1</sup> Insurance Code Section 2071 contains the coverages and policy rules required by law in CA. Your insurer can sell you more coverage than required in 2071 but not less.

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## COOPERATIVE INVESTIGATION

Keep in mind, the insurer has a responsibility to gather as much information *as needed* to fulfill their end of the claims process and you have a responsibility to cooperate in their investigation. You do not have a responsibility to cooperate with **unreasonable** requests for information or harassing tactics. If you are asked to do a telephone interview, you are not compelled by California law to do so. However, you **are** obligated to answer *claim-related* questions *about your loss*. Instead of doing a telephone interview, you may ask for written questions from the insurer's investigator to be sent to you and to answer them in writing. United Policyholders publishes separate tips on Examinations Under Oath. Visit <http://www.uphelp.org> and search for that term.

## ADDITIONAL LIVING EXPENSES

In claims where the cause is declared a "disaster" by the State, insurers must offer at least 24 months worth of ALE (Additional Living Expenses) benefits, up to policy limits. [Cal Ins. Code 2051] Your insurer must give you, (upon request) a list of items normally classified as reimbursable ALE expenses. [Cal Ins. Code 2060]

Typically ALE is paid via an advance to get you situated after the shock of the loss, then on an "as incurred" basis as you submit receipts and document expenses.

## ADJUSTING AND PAYING YOUR DWELLING CLAIM

**No lowballing:** An insurer may not offer or force you to accept a settlement offer that is "unreasonably low". Your insurer owes you the amount that will restore the damaged property to *no less than its condition before the loss*, in a manner of good workmanship and industry standards, and the rebuilding costs are accurate and representative of the costs in the local market area up to policy limits, including all extended coverages, endorsements, etc. An insurer cannot substitute cheaper materials or workmanship in estimating or having your home rebuilt. For example, an adjuster cannot put down laminate counters if you had marble, or shave off ten feet from the length of a room, or put in for single-pane windows when you had double-pane. [Cal Code of Regs 2695.9]

**Independent estimates:** If the scope of loss, repair or replacement estimates prepared by the insurer seems unreasonably low, you have the right to get an independent reconstruction estimate (preferably from a forensic construction company with experience in estimating re-building, rather than new construction, as disaster-loss sites have their own set of issues, including water vaporization, etc.) and submit it to the insurance company. (The estimate may be reimbursed under your policy as a claim-related expense, so check.) What happens next? Your insurer can 1) pay the difference between their estimate and yours; 2) hire a contractor to rebuild your home in the same materials and workmanship to return it to a "pre-loss condition" or 3) the insurer can adjust the settlement amount to a more reasonable offer. [Cal Code of Regs 2695.9]

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**Settling on the replacement cost of your original home and using those funds to buy elsewhere:** CA. Ins. Code 2051.5(c) allows a total loss claimant to use replacement cost funds to buy elsewhere instead of rebuilding. Because it is a new law, your adjuster/insurer may not be aware of it and there may be disagreements and confusion. If you want to use this option we strongly recommend that you get an independent scope of loss and estimates to replace the home you had – *even though you don't want to replace it at the old location*, then use that information to reach an agreement on how much insurance money you can use to buy a replacement home instead of rebuilding.

New construction and disaster re-construction costs in many areas are *higher* than the purchase price of another, comparable home in the area. So, you may want to seriously weigh whether you want to take a settlement that gives you enough to purchase another existing house, or a lump sum equal to rebuilding your home.

## **CONTRACTORS**

You cannot be compelled by an insurer to have your property repaired or rebuilt by a specific individual or entity. Only if you *expressly* request referrals can an insurer provide them and the insurer must inform you in writing that you have the right to choose a repair individual or entity. If you choose the one recommended by the insurer, the individual or entity must restore your damaged property back to its *pre-loss condition* in a manner of good workmanship, acceptable trade standards and at no additional cost to the claimant than stated in the policy or allowed by California law. [Cal Code of Regs 2695.9]

## **FAIR DEPRECIATION**

An insurer cannot reduce your benefits by depreciating things that would normally not be replaced over the useful life of the property such as framing, the foundation and the expense of labor to repair your property. You have the right to know how your insurer calculated depreciation was calculated and how they calculated their settlement offer [Cal Ins Code 2071 and Cal Code of Regs 2695.9]

## **RULE OF THUMB**

If your insurer refuses to make a payment you believe you are entitled to, ask them to show you where in your policy it states you are *not* entitled to it. Also, if your insurer quotes some strange reason for depreciation (such as the California community fence “rule”), ask them to provide you with a written copy of the law. Any type of depreciation or plain rejection of a part of your claim must be backed up by the insurer with verifiable dollar-valued documentation, not just because they said so. Ask for that documentation.

Sometimes the law “trumps” (overrides) your insurance company. Sometimes policy provisions or claim rules they are trying to impose on you are illegal and cannot be enforced by them. So don't take “no” for an answer unless you're sure they're right.

## EXAMINATION UNDER OATH

If you are asked to provide an “Examination Under Oath”, an insurer may only ask you questions that are “relevant” to processing your claim. You are entitled to a copy of the transcript and tape (if recorded) and have the right to clarify or rectify the answers you gave under oath. You may also ask for the questions they are going to ask in advance, however your insurance company is not legally obligated to give them to you. [Cal Ins. Code 2071]

## COMPLAINTS, ATTORNEYS & LITIGATION

An insurer cannot retaliate against you for making complaint to the California Department of Insurance or withhold payments until the complaint is withdrawn or threaten or intimidate you to keep you from making a complaint. [Cal Code of Regs 2695.7] An insurer cannot directly advise you against obtaining the services of an attorney. It is against the law for your insurer to unreasonably deny a claim, which in turn forces you to have to sue to recover benefits owed. [Cal Ins Code 790.03]

## HOW TO GET COPIES OF LAWS AND REGULATIONS:

- 1) Request them from your insurance company. They are required by law to give them to you upon request, OR;
- 2) Read them online or print them out by going to <http://www.insurance.ca.gov>. To find them, go to the “Insurers” section, “Legal Information”, OR;
- 3) Go to <http://www.uphelp.org>. Enter “Fair Claims” or “790.03” in search box.
- 4) Email [info@unitedpolicyholders.org](mailto:info@unitedpolicyholders.org) if you can’t find them

REFERENCES: *California Insurance Code, Section 790, 2051.5, 2071, California Code of Regulations, Title 26, Section 2695.*

## Timeline of Important Deadlines Under California Fair Claims Settlement Practices Regulations

Time	Activity	Authority in CCR
21 Calendar Days	Within 21 calendar days, respond in writing to DOI inquiries.	2695.5(a)
15 Calendar days	Within 15 calendar days, respond to communications from claimant, unless claimant has initiated legal action.	2695.5(b)
15 Calendar Days	Within 15 calendar days of notice of claim, unless claimant has initiated legal action: -acknowledge receipt, need not be in writing, but must be notated in claim file,	2695.5(e)(1)

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	or - pay the claim	
15 Calendar Days	Within 15 calendar days of notice of claim, unless claimant has initiated legal action: - provide necessary forms, instructions and assistance to claimant.	2695.5(e)(2)
15 Calendar Days	Within 15 calendar days of notice of claim, unless claimant has initiated legal action: -commence necessary investigation.	2695.5(e)(3)
40 Calendar Days	Accept or deny the claim. If more time needed, communicate in writing every 30 days.	2695.7(b) 2695.7(c)(1)
30 Calendar Days (continuing)	Communicate in writing every 30 days as to why claim cannot be accepted or denied.	2695.7(c)(1)
30 Calendar Days	After acceptance of claim, tender pay mentor portion of payment that has been determined and is not disputed.	2695.7(h)
60 Calendar Days	60 calendar days before statute of limitations or contract limitations period runs, notify claimant	2695.7(f)

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## United Policyholders' Guide To Your Declarations Page

### SAMPLE HOMEOWNER POLICY DECLARATION PAGE <sup>1</sup>

**Policy Number:** \_\_\_\_\_ **Policy Period:** 03/10/2007 to 03/10/2008 12:01 AM Local Time

NAME AND MAILING ADDRESS OF INSURED				AGENT NAME AND ADDRESS	
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
<b>DWELLING</b>	<b>SEPARATE STUCTURES</b>	<b>PERSONAL PROPERTY</b>	<b>LOSS OF USE</b>	<b>PERSONAL LIABILITY</b>	<b>MEDICAL PAYMENTS TO OTHERS</b>
\$83,000	\$8,300	\$58,000	\$33,200	\$300,000	\$1,000

<u>COVERAGE FORMS</u>	<u>FORM NUMBERS</u>	<u>PREMIUMS</u>
Special Form – Homeowners Policy	WG HO 300 (7/91)	\$x,xxx
Replacement Cost Composite	WG HO 301(7/91)	Incl.
Increased Limit for Coverage E & F	Section II	Incl.
Mold, Fungus, Wet Rot, Dry Rot, or Bacteria	WG HO 303 (05/02)	Incl.
Premises Alarm or Fire Prot. System	HO-216 (4/84)	Incl.
Mortgage Payment Supplement	MP 606 (3/84)	Incl.
Lender's Loss Payment Endorsement	4388FU NS (5/42)	

**Important – Earthquake Coverage is Not Included – Contact Your Agent For Further Information.**  
**The Policy Does Not Include Building Code Upgrade Coverage.**

**Extended Replacement Cost Coverage Does Not Exceed 200% of Limit “A” – Dwelling.<sup>2</sup>**  
**Coverage Includes Personal Property Replacement Cost.<sup>3</sup>**

### WHAT THE ITEMS ON YOUR DECLARATION PAGE MEAN:

**Dwelling:** Your actual coverage in category “A” may be higher than stated here because your policy may contain increases via “endorsements.” We will call endorsements “extras” for simplicity. These extras often have code or form numbers. The extras should be explained in the policy wording. Most policies contain a small automatic adjustment to account for inflation. Do your own math to calculate your coverage and apply all extras your policy includes.

**Separate/Other Structures:** Usually only covers structures that are detached from the main dwelling (garages, retaining walls, decks, fences, etc.) This limit may increase with the extras described under “Dwelling” above.

**Contents/Personal Property:** This limit often does not get adjusted but may be adequate. You may have to list and value everything you lost but ask if your insurer will waive that rule. Your insurer will depreciate (often

<sup>1</sup> Your declaration page may look nothing like this, but it should have the same basic categories and info

<sup>2</sup> This is an example of an “extra” that increases the amount stated for your Dwelling Coverage

<sup>3</sup> See UP tips on the difference between **Actual Cash Value (ACV)** versus **Replacement Cost (RC)**

excessively) and pay “Actual Cash Value” until you replace. Submit receipts to get paid in full. Get extensions of time when needed.

**Loss of Use:** Covers your comparable housing until you can move back in, and other expenses related to losing the use of your home. Basis can be actual rent or the amount your home would have rented for. Won’t cover mortgage payments but will cover extra/temporary expenses (rent, longer commute/gas, laundry, furniture rental, eating out).

**Building Code Upgrade Coverage:** If your policy doesn’t include this, you’re probably the victim of someone’s negligence. You can’t rebuild without complying with building codes and this coverage has become standard. The amount is usually set in the policy as a percentage of your “A” coverage.

**Extended Replacement Cost Coverage:** An extra that increases your “A” and *possibly B and D* limits by 25-100%. Read your policy to determine which categories of coverage this extra may apply to. Argue for the max if you need it.

**Personal Property Replacement Cost:** Means your contents are covered at replacement value so depreciated only temporarily until you replace what you lost.

### A Guide to Homeowners Insurance Limits

Insurance policies are usually divided into sections or categories by **what is covered** and the **maximum amounts** the insurer will pay in the event of a loss. It’s no picnic trying to sort it all out. Here’s a basic summary of the main types of coverage in a typical homeowner’s policy in California. For more detailed information, please visit [www.uphelp.org](http://www.uphelp.org). Your declaration page (often called a “dec” page) states your name and address, policy number, dollar amounts of coverages and “endorsement” codes. You can think of your dec page as the body of a car. The wording inside is the engine, the parts, the wheels, etc. Your dec page states the dollar amounts/limits for your main coverage categories, but what you see is not always what you’ve got. There are extensions, limits and exclusions for certain items. For example, many policies contain a “sub-limit” for valuable papers, computer equipment and jewelry.

You’ll need to do some math and piecing together to figure out what your policy limits actually are. Don’t rely solely on your insurer’s calculations. Use our tips and the sample declaration page on page 1 to figure out what’s in your policy and how to collect what you’re owed.

#### Dwelling Coverage (Coverage A)

This is the “big ticket” item in your policy. If you paid extra premium for an extended coverage formula that increased your A limit, it may extend other coverages as well. But even with extensions, most disaster survivors have inadequate A limits. A quick way to calculate whether your “A” limit is enough is to divide it by the square footage of your living space. Rebuilding costs per square foot typically range from \$180-\$350 depending on type and location of home.

#### Other Structures (Coverage B)

This generally covers structures on the property that are not physically attached to the house. If your dwelling is underinsured, read your policy carefully to see if any items can be moved into this category.

#### Personal Property (Coverage C)

Typically set at 75% of your “A” limit and generally does not get extended via the formulas that increase your dwelling limits. Don’t accept excessive depreciation of your personal property, submit receipts for full reimbursement. Ask for an inventory itemization waiver. If they say no, get time extensions when need be. Use UP’s *Depreciation Basics* and *Content Claim Tips* for support.

**Additional Living Expense/Loss of Use (Coverage D):**

Entitles you to maintain your standard of living for a minimum of 2 years after a loss. Some ALE payments will be advanced, most are “as incurred.” Submit receipts and insist on full reimbursement.

**Landscaping, Debris Removal, Building Code Compliance:** The max coverage for these items is often buried within the policy language and generally set as 10% or more of your coverage “A”, which is often inadequate after a total loss.

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## Sample Letter Requesting Complete Copy of Homeowners Policy

**NOTE:** This letter is a sample that must be customized to fit the facts of your individual situation and claim. All bracketed and underlined portions must be completed or revised before sending. Use this letter to request a complete copy of your homeowners' policy from your insurance company.

(Date)

(Name of adjuster or highest ranking ins. co. employee)

(Name of Insurance Co.)

(Address)

Re: Claim Number \_\_\_\_\_

Date of Loss: \_\_\_\_\_

Name of Insured: \_\_\_\_\_

Address of Insured Property: \_\_\_\_\_

Dear [INSURANCE COMPANY],

Please send me a complete and certified copy of my homeowner's insurance policy, including all declarations, endorsements, riders and/or changes to the policy, which would affect coverage at the time of the above-noted loss. Please send it to the mailing address listed below within fifteen (15) calendar days of the date of this letter.

Thank you in advance for your prompt handling of my request. I look forward to receiving the above-requested documents and working with [INSURANCE COMPANY] to complete the claim process.

Sincerely,

YOUR NAME

MAILING ADDRESS

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## Speak UP: Tips for communicating with your insurance company

Communicating with your insurance company is an incredibly important part of the claims process. The insurance company may try to handle your claim by telephone, with no records. However your claim is handled, you must make sure that everything gets documented in writing.

How you communicate makes a world of difference in the amount of benefits you collect and how fast you collect them.

We recommend that you:

1. Document *every* communication with your insurance company in a notebook or diary so you can keep track of the status of your claim.
2. Create a paper trail. Confirm representations and promises made in person or over the phone by insurance company personnel by sending them a *short* follow-up e-mail or letter.
3. Use good grammar, punctuation and capitalization. Promptly respond to letters and requests if they are unreasonable. If they are, say so, in writing.
4. Be proactive: Give your insurer proof of your losses and ask for the dollar amounts you are entitled to. Don't wait for them to tell you how much they owe you.
5. Use specific instances of improper conduct by your adjuster or insurer as leverage to negotiate the settlement you need. Your diary will come in handy.
6. Don't mistake a friendly claim adjuster for a friend. Remember you're in a business negotiation. Keep it professional.

### How to "Speak UP":

**Strong as possible**  
**Politely assertive**  
**Educated and empowered**  
**Asking questions**  
**Keeping a claim diary**

**Unwilling to be short-changed**  
**Pro-active**

7. Don't use your insurance company as an outlet to vent frustrations and emotions related to the original cause of your loss.
8. Remember that everything you write and say may be noted in the insurance company's records. Even if you're frustrated, avoid saying or writing things that will make you seem uncooperative or the cause of delays or problems.
9. Don't sign a confidentiality or non-disclosure agreement without consulting with an attorney. Agreeing to an overly broad or premature non-disclosure agreement can significantly reduce your leverage and ability to obtain full policy benefits.
10. *Attitude is Everything: Be Polite, Be Prompt, Be Persistent*

### **How a typical insurance company is organized:**

It is very useful to understand how insurance companies are typically organized. Each person you deal with at an insurance company has an upper limit of dollar authority to settle your claim. As you go up the chain of command, that limit gets higher: Adjusters typically have the lowest settlement offer authority limit; Home Office executives have the highest. Claims departments are often structured as follows:

1. Adjuster
2. Supervisor
3. Unit Manager, over several supervisors by line of business
4. Assistant Manager, over Unit Managers, but not in all offices
5. Claims Manager or Claims Vice President, in charge of local office
6. Regional Claims Vice President, in charge of several offices in a region
7. Home Office Claims: At the home office, there are several levels:
  - a. Field Management – Senior VP in charge of regional managers
  - b. Technical Management – Vice Presidents in charge of lines of business, such as auto, general liability, property
  - c. Major Claims – Such as asbestos, lead paint, claims with long occurrence-type exposures, large and complex claims. (Large being over \$750,000.00)

## Resolving disputes, delays and complaints with your insurance company:

When communicating with your insurance company, start with the adjuster and contact superiors as necessary. What motivates an insurer to resolve an issue is a focused complaint that causes people above the adjuster to pay attention. The higher up you go within the insurance company's claim department, the greater your chances of success in resolving your complaints.

When you raise a concern over how your claim is being handled or how much you are still owed, documentation is everything. If you write to an adjuster, send a copy to his or her supervisor and request a written response in a set time frame (e.g. "Please reply within 10 business days from the date on this letter"). When you send a letter that asks for a response by a certain date, make sure you send it via certified mail so you have proof of the date you mailed it. Follow up with a phone call to confirm that your letter was received. If there is an issue over coverage or procedure, ask your insurer to point you to the specific part of the policy that explains it.

Your letters should not be threatening or lengthy. They should be clear, polite and to the point. It should confirm how cooperative you have been and continue to be. Be the good guy and put the ball in their court. If you are nasty, your next contact may be from a lawyer for the insurer, which may block you from continuing to work with the adjuster.

If you feel stuck or that you've run out of "self-help" options, it's probably time to hire professional help. Start at the Find Help section of [www.uphelp.org](http://www.uphelp.org). If you don't want to hire professional help, you can file a complaint with your state insurance regulator.

United Policyholders offers specific tips on getting government help solving an insurance problem. Start by reading our publication *Getting Help from the CA Department of Insurance* at [www.uphelp.org](http://www.uphelp.org). Some people fear that filing a complaint with a government agency will make their insurance company angry and made a bad situation worse. In our 24 years of experience – it's just the opposite. Insurance companies stand up and take notice when a customer complains to a state official, and they generally act quickly to try and resolve the problem. However, if there's a coverage dispute or a large sum of money at issue, a state agency is unlikely to have the staff or the authority to resolve it. In those situations, an experienced attorney or public adjuster is the more likely path to a successful settlement.

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## Survivors Speak: ALE and Loss of Use Expense Coverage

The “*Survivors Speak*” publication series offers the perspectives of people who lost homes in natural disasters, in their own words. These tips are part of United Policyholders’ extensive library of free information and the UP Disaster Survivor Support Network. For more information, visit [www.uphelp.org](http://www.uphelp.org). Copies of the *Disaster Recovery Handbook and Household Inventory Guidebook* are available free of charge to loss victims who email [info@uphelp.org](mailto:info@uphelp.org) or call (415) 393-9990.

### **Q: What items can be claimed under the Additional Living Expense (ALE) /Loss of Use portion of my homeowner’s insurance policy?**

A: Expenses you’re having to pay because all or a part of your home cannot be lived in. Begin by reading the sections of your policy that talk about ALE, temporary living expenses, or “Loss of Use”. Even after reading it, you may have questions about what specific items are reimbursable under this category of coverage. UP’s [Simplified Guide to Your Homeowners Policy](http://www.uphelp.org/pdfs/ASimplifiedGuidetoYourHomeownersPolicy.pdf) (<http://www.uphelp.org/pdfs/ASimplifiedGuidetoYourHomeownersPolicy.pdf>) offers guidance.

To determine whether something should be reimbursable as ALE, ask yourself this question: *Is this an expense I incurred because of the loss event?* If the answer is yes, it is reasonable for you to seek reimbursement under ALE/Loss of Use coverage.

For example, if you can’t live in your home due to a loss event, can you seek reimbursement for the mortgage payment you must continue to make on your damaged or destroyed home? **No**; because you were making mortgage payments before the loss – you owe the money regardless of the loss.

In the same situation, could you seek reimbursement for the cost of renting a home for your family to live in while your home is being repaired/rebuilt? **Yes**; because the loss caused you to lose the use of your home and have to make a rental payment on a temporary home.

Below is a list of items that have qualified for reimbursement under ALE/Loss of Use insurance coverage. Your insurance company may or may not agree that these items are covered under your particular policy and in your individual situation. (Editor’s Note: See UP’s publication [Speak UP: How to Communicate With Your Insurance Company](http://www.unitedpolicyholders.org/pdfs/Effective_Claims.pdf) ([http://www.unitedpolicyholders.org/pdfs/Effective\\_Claims.pdf](http://www.unitedpolicyholders.org/pdfs/Effective_Claims.pdf)) for helpful hints on negotiating with your insurance company).

- Rent for temporary housing
- Insurance policy taken out on contents in temporary rental house
- Credit check fee charged by management company when renting temporary house
- Cellular phone overtime charges incurred due to the loss of landline telephone
- Mileage to/from our temporary rental house to/from all locations visited for rebuild-related business, including:
  - Furniture stores
  - Fund control
  - Flooring, granite, fixtures, and all other construction materials you need to research and choose
  - Appliances
- Mileage for increased distance traveled from temporary rental home to:
  - Place of employment
  - Adult and children's activities (school/sports/clubs/lessons)
  - Your house of worship
- Meals eaten when out on rebuild-related business, (e.g., visiting construction site, shopping for replacement personal property items, researching/purchasing rebuild items such as appliances, flooring, fixtures)
- IT fee charged to set-up new computer system at temporary rental home
- Sewer fee at temporary rental property if you did not have sewer fee at damaged/destroyed home, (e.g., damaged/destroyed home used a septic system)
- New account or "setup" fees for utilities at temporary rental home
- Photocopies and mailing expenses related to claim
- Cost of fencing to secure damaged/destroyed house, property, and/or pool
- Cost of repairing/refurbishing jewelry and other personal items recovered at damaged/destroyed home
- Moving costs incurred to move from the temporary rental home back into the repaired/rebuilt home (moving company; moving van; moving boxes; packing paper and tape)
- Reconnection fees for setting up services (cable/telephone/utility) at the rebuilt home

- Carpet cleaning when moving out of rental home (if temporary lease agreement requires this upon move out).
- Pet boarding cost
- Increased veterinary bill for pets, due to illness/symptoms resulting from the loss event

## *From the Front Line: ALE Tips and Advice From Previous Loss Survivors*

### Negotiate for coverage under ALE rather than under contents

*Our insurance company initially tried to characterize the security deposit for our temporary rental home as a contents coverage claim. We fought them on that point, as the security deposit should be considered ALE. We had to seek assistance from our state department of insurance, but eventually, the insurance company agreed to pay the security deposit under ALE coverage. This was an important point for our claim because our ALE coverage did not have a monetary cap, but we were underinsured on the contents claim.” --JM, 2007 Witch Creek Fire Survivor*

### Find out if you have an ALE monetary cap

*“You should verify whether your homeowners policy does or does not contain an ALE monetary cap. Many people have the instinct to conserve and scrimp to make ALE last, thinking there's a limit, but many policies do not contain an ALE monetary cap.” --JM, 2007 Witch Creek Fire Survivor*

While you are entitled to maintain the same standard of living, if you do have a cap, you will need to watch your expenses. If your rent is high and it looks like you won't finish rebuilding or replacing your home before you hit the cap, you may need to scale down, or you'll run out of ALE and will have to pay the balance of rent out of pocket.

### You have the right to a comfortable, comparable temporary home

Whether or not your policy contains an ALE monetary cap, you should be very insistent with your insurer that you must have temporary living conditions that are comparable to what they were before your home was damaged/destroyed.

*“Repairs and/or reconstruction can be a long haul, and a challenging process to endure, so reducing the stress of your temporary living situation is critical. If a family of 4 or 5 is crammed into a 2 bedroom apartment for 18 months when they are accustomed to living in a 5 bedroom home, that's an important factor to consider.”--JM, 2007 Witch Creek Fire Survivor*

*“We were mistaken in thinking that if we saved the insurance company money on ALE payouts, then the savings might be applied to other areas of payout. WRONG! That was one of the reasons that we rented an apartment that was a fraction of the size of our destroyed home. Looking back, we should have rented what we were allowed - a home equivalent in size to what*

*we lost, complete with all the furnishings to match. Instead, our family was crammed into a small apartment while our house was being rebuilt.” --CS, 2003 Cedar Fire Survivor*

### **Get organized: Save your receipts and track your purchases related to ALE**

*“If you are organized and methodical in your ALE documentation, and you present your arguments such that the insurance company can see that you are organized, the insurance company will have more trouble attacking your claims.*

*With every purchase we made, we first asked ourselves if this was something we had to do/buy because we had lost our home, and for every "yes", that receipt went into our ALE reimbursement folder.*

*Our agent also made a suggestion that really helped us stay organized. He suggested that we keep separate bank accounts for the money received and spent for ALE, Personal Property, and Construction coverages. Doing this helped us track our spending more easily.*

*For every receipt that applied to one of these categories, we wrote at the top which "bucket" it belonged in. After the credit card bill came in that contained that charge, it went into a folder for that coverage to include in our next accounting/reimbursement request to the insurance company.*

*My insurance company asked for clarification a couple times, but nothing we submitted was ever challenged or rejected. I also made sure to document things I had paid for that I accepted as my own expense so they could see I was not throwing every dollar of every receipt into the ALE bucket.” --NW, 2007 Witch Creek Fire Survivor*

### **Corporate apartments: Not just for corporations!**

*“One of my best tips is to consider the possibility of renting a “corporate apartment” for your family, rather than a temporary, unfurnished rental home, while your house is being reconstructed. Corporate apartments are furnished, fully stocked with pots, pans, dishes, linens, vacuum cleaners and more. They usually have utilities and basic cable tv already installed, so you save on installation costs.*

*These apartments are generally rented on a month-to-month basis by large corporations, but they are often open to families too. They are maintained either by the apartment complex or by private companies.*

*Search Google for “corporate apartments” or “corporate apartment rental” and the name of the city you want to look in. This will usually bring up several companies that provide this service. You can also call some of the large apartment complexes and ask them if they provide corporate apartments in their complex.*

*Corporate apartments will run higher than normal rent, but they are much cheaper than a daily hotel room charge, and they will provide your family with a full apartment along with the*

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*possibility of a swimming pool, exercise room and more. It also allows your family to return to a more normal life as you look for temporary housing. We had no problem negotiating a month-to-month rent on a two bedroom apartment, and we even negotiated to eliminate the fee for our dogs. Our insurance company paid for this housing in full.” --BV, 2007 Witch Creek Fire Survivor*

### You might be able to get a lump-sum ALE payment up front

*“The ALE/Loss of Use portion of our policy contained a provision stating that we could elect to take the reasonable rental value of our destroyed premises. So, we asked our insurance company to perform a market analysis of the current monthly rent for a furnished home comparable to our destroyed home and multiplied that number by 24 months (which was the time limit for ALE benefits in our policy).*

*In our case, that amount surpassed the ALE monetary cap on our insurance policy, so the insurance company essentially cashed our ALE benefits out to us, upfront. Different insurance companies process ALE/Loss of Use benefits in different ways, so your insurer might not be willing to pay out the ALE up front. We were fortunate that ours did. It never hurts to ask if your company would be willing to do the same.” --DK, 2007 Witch Creek Fire Survivor*

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## Top 10 Insurance Claim Tips

1. Be *pro-active* in the claim process and keep good notes.
2. You're not on a level playing field when you're dealing with an insurance claim.
3. Don't pad or exaggerate your claim.
4. Give your insurance company a chance to do the right thing, but don't mistake a friendly representative for a friend.
5. Document and support your claim with proof, details and estimates.
6. Present clear requests *in writing* that explain *what* you need, *when* you need it, and *why* you're entitled to it.
7. Think of your insurance claim as a business negotiation—you're dealing with a for-profit company.
8. Don't sign legal documents without consulting with a qualified attorney.
9. Try to resolve problems informally but complain in writing, go up the chain of command and/or use government agency help when necessary.
10. Get specialized professional help when you need it, start in the "Find Help" section of [www.uphelp.org](http://www.uphelp.org).

To access our menu of free tools, visit [www.uphelp.org](http://www.uphelp.org). We offer "road tested" tips on resolving insurance disputes, repairing and replacing damaged and destroyed property, information on tax breaks and loan programs, sample forms and letters, and a professional help directory. We're not for profit and we're on your side.

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