



## FIRE INSURANCE CLAIM TIPS FOR ARIZONA RESIDENTS

**REPORT YOUR CLAIM PROMPTLY AND GET SMART:** Get and read a complete and current copy of your policy as soon as possible. The page that states your name and address, policy number, dollar amounts of coverages and endorsement codes is called your “**declarations page**”, (often called a “dec” page).

Check the stated dollar limits for your main coverage categories: **Dwelling, Contents** (personal property), **Other Structures** (Additional/Appurtenant) and **Additional Living Expenses**, (Loss of Use). Check for building code/ordinance coverage, "endorsements", (extra coverages), and "scheduled" personal property items, (artwork, jewelry, valuables).

Compare the codes on your Dec page with the policy to make sure the policy limits and coverages are what you thought you bought. Get a copy of the regulations or laws that govern fair claim settlements in your state from the Internet or your Department of Insurance and READ THEM to get a general understanding of how the claim process is supposed to work. Insurers are supposed to fully and fairly investigate your claim, give you and explain all necessary forms/reporting requirements, keep you posted on their progress, then pay or deny your claim within a reasonable period of time and explain any denials or reduced payments upon request. Copies of your state’s rules can be found at:

**Arizona Department of Insurance:** Tucson Office, (520) 628-6370. Address: 400 W. Congress, Ste. 152, Tucson AZ 85701. Website: [www.id.state.az.us](http://www.id.state.az.us).

**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. Confirm agreements, disputes and deadlines in writing via letter, fax or email. Print out and keep copies of emails.

**TAKE A DEEP BREATH:** Recognize that your claim may take longer to settle fairly than you’d anticipated. Lots of new terms and information will be thrown at you. It’s important to pace yourself and keep learning.

**ORGANIZE AND SHARE INFORMATION WITH OTHERS WHO’VE LOST PROPERTY:** Work with others who’ve lost property to form “carrier-specific” groups and share information as the claim process progresses. United policyholders get faster, fairer settlements.

**COOPERATE WITH REASONABLE REQUESTS FOR INFORMATION BUT DO NOT GIVE RECORDED OR SWORN STATEMENTS UNTIL YOU UNDERSTAND YOUR RIGHTS:** You must 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 to prove you had the means to purchase destroyed items. If your insurer doubts you owned items you lost, provide as much proof as you can locate.

**DOCUMENT YOUR LOSS AS THOROUGHLY AS YOU CAN:** The better you are able to document destroyed and damaged property and the cost of replacement and repairs, the better your insurance settlement will be. 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. Ask for extensions of time if you need them.

To get a fair settlement to repair or replace your home, develop an agreed upon “**scope of loss**” with your insurer so construction bids can be compared...apples to apples. (Request a copy of UP’s sample trade summary, rebuilding estimate and inventory form)

**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.

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

**THERE IS A DIFFERENCE BETWEEN “REPLACEMENT COVERAGE”, “GUARANTEED REPLACEMENT COVERAGE”, AND “ACTUAL CASH VALUE COVERAGE”:** These terms can be confusing, but break down as follows:

- 1) **Replacement Coverage** is what most people today have for their dwellings and their possessions. It allows you to replace what you lost at today’s prices, regardless of how you got the items, what condition they were in or what you paid for them. However, **Depreciation** will be applied to many items even under a replacement policy (See below re: “**Actual Cash Value**” and “**Depreciation**”), up to the limits stated on your Dec page.
- 2) **Extended Replacement Coverage** allows you to replace what you lost at today’s prices, even if the cost exceeds the limits stated on your Dec Page, up to a set extended percentage limit.

**EXAMPLE:** You have \$200,000 limits on your dwelling, and a 25% extended replacement cost endorsement. That means you have up to \$250,000 to rebuild, provided a reliable contractor estimates it will cost at least \$250,000 and you are successful in negotiating your structural settlement with your ins. company for at least \$250,000.

- 3) **Actual Cash Value** – in Arizona is generally defined as replacement cost less depreciation. <sup>1</sup>Many items in your claim will be settled on the basis of their Actual Cash Value. Insurers often exploit consumer confusion on this issue and are inconsistent in the way they calculate and deduct depreciation.
- 4) **Depreciation** - is the loss in value from all causes, including age, wear and tear. (See fn. 1, below). Insurers may use an IRS depreciation schedule or their own schedule. Your adjuster will depreciate items, i.e. pay you less than their replacement cost, until you actually replace them and provide receipts.
- 5) **A1 or A2 dwelling coverage** <sup>2</sup> is a relatively new product sold by State Farm that provides two levels of replacement insurance on your home. One type is more traditional coverage that pays for “like kind and quality” construction and materials to what you had in your destroyed home. The other, newer type only pays for a lesser standard of “equivalent construction”, which means it may cover only cheaper or less labor-intensive construction and materials. If you have the lesser one, you should make sure that fact was fully disclosed when you bought it and make sure your premium reflected the lesser coverage.

#### **TIPS FOR GETTING A FAIR CONTENTS SETTLEMENT:**

- *Be prepared to fight to get the full amounts you're entitled to, particularly on major items, and don't forget to collect your full replacement cost value after you replace items.* Ask your insurer to provide you with a copy of the depreciation schedule they use.
- *Negotiate ACV deductions on a case-by-case basis to reflect how worn the items really were.* The furniture in your guest room should be depreciated less than the furniture in your master bedroom because it was used less and was in better shape.
- The Replacement Cost and the Actual Cash Value of some items are the same. **These items should not be subject to depreciation.** Examples are: Antiques, Fine Art and Jewelry, computer media, (CD's etc.), software, Framing, Masonry, Concrete, Insulation, Light Fixtures.
- Some items depreciate faster than others. Examples: Electronics, soft furniture and clothes and shoes depreciate faster than hard furniture, washer dryers, etc.
- You're unlikely to replace everything you lost and it's a hassle to have to keep providing receipts over time so try to *maximize your ACV payments by arguing for lower depreciation on big ticket items and identifying the true replacement cost of items at standard, not discount retailers.*

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<sup>1</sup> Depreciation amounts are subjective and very negotiable.

<sup>2</sup> To our knowledge, only State Farm sells this product.

**"ADDITIONAL LIVING EXPENSE" (Loss of Use) 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. If the destroyed home was your vacation or weekend home, you are entitled to compensation for temporary replacement quarters until rebuilding is complete. Establish the fair rental value of your home by working with a qualified realtor.

**BE POLITE BUT ASSERTIVE TO ENSURE PROPER REBUILDING OF YOUR HOME. BEWARE OF LOWBALLING AND INFERIOR CONSTRUCTION AND INEXPERIENCED CONTRACTORS:**

Most homeowners policies now contain "extended limits" that allow 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.

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

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

**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.

**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.

**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.

For further help, request a copy of United Policyholders' tips on Effective Complaints, Hiring a Public Adjuster, and Hiring an Attorney in Arizona.

**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.

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110 Pacific Avenue, #262, San Francisco, CA 94111 (510) 763-9740

website: [www.unitedpolicyholders.org](http://www.unitedpolicyholders.org)

Amy Bach, *Executive Director*

Email: [info@unitedpolicyholders.org](mailto:info@unitedpolicyholders.org)

Sabrina Swaim, *Aspen Firestorm Volunteer Liaison*

Email: [sabrina.swaim@direcway.com](mailto:sabrina.swaim@direcway.com)