



# WATTS UP?!

## Q & A - Your Wildfire Insurance Claim

Roadmap to Recovery Workshop

**October 29, 2019**

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**Roadmap to Recovery**



# Sandra Watts

## United Policyholders

25+ years experience in claims and claims management,  
serves as claim consultant and expert witness

UP is a non-profit that empowers and informs  
policyholders and advocates for fair insurance practices  
in all 50 states.

Active in long term disaster recovery through our  
“Roadmap to Recovery” program

# About United Policyholders

- 501(c)3 non profit organization.
- A voice and an information resource for consumers in all 50 states.
- A 26+ year track-record and subject matter expertise in insurance and disaster recovery
- Not for profit...not for sale.
- Funded by donations and grants.
- A volunteer corps with personal and/or professional expertise in disaster recovery and insurance.

# The Fine Print

- This workshop is intended to be general guidance only, not legal advice.
- We don't endorse or warrant any of the sponsors listed at [www.uphelp.org](http://www.uphelp.org) or speakers at our workshops.

# This Week's Questions

- Code Upgrade / Extended Replacement
- Buy or Rebuild
- Insurance Code Section 2051.5
- Contents Inventory/ Itemization
- Insurance on non-existent property
- Additional Living Expenses

# CA Insurance Code 2051.5 is KEY

- Almost every one of the questions I get involves some part of this newly-clarified legislation
  - Replacement Cost
  - Additional Living Expenses
  - Extended Replacement Coverage
  - Code Upgrade
  - Buy or rebuild?

# Determining Coverage A - Dwelling

- **2051.5**
- (a) (1) Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or **replace the thing lost or injured**, without a deduction for physical depreciation, or the policy limit, whichever is less.

# What does this mean???

- The amount you are owed is based upon the cost to rebuild the home you LOST, plus code upgrades, up to the policy limit.
- In most cases, you will need an estimate to determine what it would have cost to rebuild your prior home, even if you do not intend to rebuild it.



# Code Upgrades – 2017 Fires

- 2051.5

(c) In the event of a total loss of the insured structure, no policy issued or delivered in this state may contain a provision that limits or denies payment of the replacement cost in the event the insured decides to rebuild or replace the property at a location other than the insured premises. However, the measure of indemnity shall be based upon the replacement cost of the insured property and shall not be based upon the cost to repair, rebuild, or replace at a location other than the insured premises.

# Code Upgrades – 2018 Fires

- 2051.5 (c) In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the **building code upgrade cost and any extended replacement cost coverage**, if applicable, to repair, rebuild, or replace the insured structure at its original location.

# What's Included in Code Upgrades?

- As always, read your policy, as the language varies.
- In general, this coverage pays the amount to bring THE HOME YOU LOST up to current building codes, up to available limits.
- This means things that were not there, but will need to be added in order to gain occupancy after rebuilding. i.e. sprinklers, solar, energy efficiency upgrades, etc.
- The cost can be “rolled into” purchase and upgrading of a new house, but the amount is determined by the old house.
- This coverage is usually paid “as incurred” (meaning \$ is spent) but insurer has discretion.
- Often, you have to show that the city/county will enforce the codes in order to get payment.

# Buying vs. Rebuilding

- The process is almost identical for all the different options (rebuild/buy/codes)
- The most important thing: **KNOW HOW MUCH IT WOULD COST TO REBUILD THE HOUSE YOU LOST** up to the policy limits.
- If buying you will also need a **CODE BID** for the house you lost, **NOT** the new one!
- If you were paid the full policy limits you will most likely not need an estimate

# Contents Inventory Questions

- Some insurers are waiving inventory requirements. This is VOLUNTARY
- Most insurers are paying a % up front
- Requiring full inventory for balance of \$\$\$
- We recommend asking for help:
  - Some companies hire contents companies
  - Some companies will send an adjuster to you to review inventory
  - As last resort you can hire your own
  - Ask for an extension of time

# DEPRECIATION

- Depreciation Basics publication:  
<https://www.uphelp.org/pubs/depreciation-basics>
- Replacement cost v. Actual Cash Value
- Depreciation is highly negotiable
- Under California law it is based upon the age, life expectancy and condition of each individual item
- Couch example – grandma’s vs. fraternity house
- **Many items should not be subject to *any* depreciation.** Antiques, fine art and jewelry, computer media (CD’s, etc.), software, framing, masonry, concrete, insulation, light fixtures.

# Why Pay for Insurance?

- Availability is becoming an issue, especially in fire-prone area = less choice
- Need to compare both COST and coverages
- Changing insurers will NOT affect your claim
- Liability coverage needed
- Contact your agent/broker about reducing amount of coverage

# ALE Time Limits – 2017 Fires

2051.5

(2) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code , coverage for additional living expenses shall be for a period of 24 months, but shall be subject to other policy provisions, provided that any extension of time required by this paragraph beyond the period provided in the policy shall not act to increase the additional living expense policy limit in force at the time of the loss. This paragraph shall become operative on January 1, 2007.



# ALE TIME LIMITS – 2018 Fires

(2) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, coverage for additional living expenses shall be for a period of **no less than 24 months** from the inception of the loss, but shall be subject to other policy provisions. **An insurer shall grant an extension of up to 12 additional months, for a total of 36 months**, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work. Additional extensions of six months shall be provided to policyholders for good cause.

Effective September 21, 2018

# Is it Automatic?

- No. The amount you are owed is generally the **shortest time required to rebuild, replace or for your household to settle elsewhere.**
- In most cases, you will need to show that you were acting with “reasonable diligence” in rebuilding or buying. Keep a diary of your obstacles to show carrier. Write to them about your decision making process on buying v. rebuilding.

# Claim Handling Standards

- California Fair Claims Settlement Practices Act
  - 15 days to respond to communications
    - Email, letter, phone call
  - 40 days to pay or deny claim
  - If unable to make decision must send letter
    - What they need to make a decision
    - How long they need to make the decision
    - Send letter every 30 days

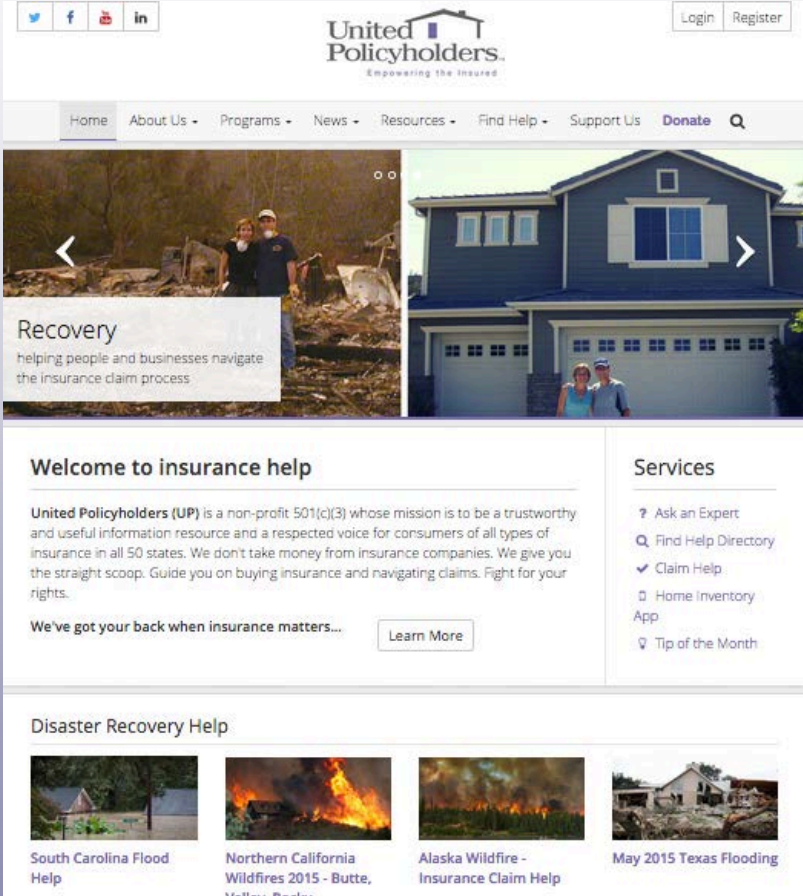
# Best Practices

- Get it in WRITING!
- If not, put it in writing, back to them confirming
- Keep it professional
- Be concise and to the point
- Bold or bullet point your requests
- Use proper grammar and punctuation
- Promptly respond to letters and reasonable requests
- Avoid venting frustrations and emotions to your adjuster

# 24/7 help on the web: [www.uphelp.org](http://www.uphelp.org)

## ■ Insurance Claim Help

- Recovery Blogs:
- Claim Help Library
- Guides for overcoming obstacles
- Links to Government and Professional help
- Tips from past disaster survivors
- Sample Letters and Claim Forms



The screenshot shows the homepage of United Policyholders. At the top, there are social media icons for Twitter, Facebook, YouTube, and LinkedIn, along with 'Login' and 'Register' buttons. The main navigation bar includes links for Home, About Us, Programs, News, Resources, Find Help, Support Us, and Donate. The header features the United Policyholders logo with the tagline 'Empowering the Insured'. Below the navigation is a large banner image with a 'Recovery' section that reads 'helping people and businesses navigate the insurance claim process'. The main content area is divided into two columns: 'Welcome to insurance help' on the left and 'Services' on the right. The 'Welcome' section includes a paragraph about the organization's mission and a 'Learn More' button. The 'Services' section lists options like 'Ask an Expert', 'Find Help Directory', 'Claim Help', 'Home Inventory App', and 'Tip of the Month'. At the bottom, there is a 'Disaster Recovery Help' section with four featured articles: 'South Carolina Flood Help', 'Northern California Wildfires 2015 - Butte, Valley, Beckey', 'Alaska Wildfire - Insurance Claim Help', and 'May 2015 Texas Flooding'.

# Thank You Foundation Partners

