WATTS UP?!

Your Wildfire Insurance Claim Questions Answered

Roadmap to Recovery Workshop
August 6, 2020
Sandra Watts- Project Coordinator
Roadmap to Recovery

Copyright 2020 United Policyholders
All Rights Reserved
Sandra Watts

- Project Coordinator and Instructor, Roadmap to Recovery
- 30+ years experience in Insurance claims and claims management
- Appointed Member, CA DOI Curriculum Board
- IICRC Certified Water Restoration Technician (WRT)
- CPIA - Certified Property Insurance Appraiser
- CPIU - Certified Property Insurance Umpire
About United Policyholders

501(c)3 nonprofit 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 or speakers at our workshops.
CA Insurance Code 2051.5 is KEY!

• Almost every one of the questions I get involves some part of this newly-clarified (2018) legislation
  – Replacement Cost
  – Extended Replacement Coverage
  – Additional Living Expenses
  – Code Upgrade
  – Buy or rebuild?
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.
Aim for an agreed upon scope of loss

- Make sure that you correct the insurance company estimate so you can compare like-for-like with your contractor’s estimate.

- Make sure your contractor’s estimate is for your OLD home, not the one you want.

- In-person meeting with adjuster can be productive.

- Your contractor/subs should be able to stand behind his/her numbers.

- Know the areas where you differ, and why.
(d) If losses are settled on the basis of a written scope and/or estimate prepared by or for the insurer, the insurer shall supply the claimant with a copy of each document upon which the settlement is based. The estimate prepared by or for the insurer shall be in accordance with applicable policy provisions, of an amount which will restore the damaged property to no less than its condition prior to the loss and which will allow for repairs to be made in a manner which meets accepted trade standards for good and workmanlike construction. The insurer shall take reasonable steps to verify that the repair or rebuilding costs utilized by the insurer or its claims agents are accurate and representative of costs in the local market area. If the claimant subsequently contends, based upon a written estimate which he or she obtains, that necessary repairs will exceed the written estimate prepared by or for the insurer, the insurer shall:

1. pay the difference between its written estimate and a higher estimate obtained by the claimant; or,
2. if requested by the claimant, promptly provide the claimant with the name of at least one repair individual or entity that will make the repairs for the amount of the written estimate. The insurer shall cause the damaged property to be restored to no less than its condition prior to the loss and which will allow for repairs in a manner which meets accepted trade standards for good and workmanlike construction at no additional cost to the claimant other than as stated in the policy or as otherwise allowed by these regulations; or,
3. reasonably adjust any written estimates prepared by the repair individual or entity of the insured's choice and provide a copy of the adjusted estimate to the claimant.
2051.5

(2) If the policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer shall pay the actual cash value of the damaged property, as defined in Section 2051, until the damaged property is repaired, rebuilt, or replaced. Once the property is repaired, rebuilt, or replaced, the insurer shall pay the difference between the actual cash value payment made and the full replacement cost reasonably paid to replace the damaged property, up to the limits stated in the policy.
What if I need more time?

• (iii) This section does not prohibit an insurer from allowing the insured additional time to collect the full replacement cost.

• (B) An insurer shall provide to a policyholder one or more additional extensions of six months for good cause pursuant to clause (i) or (ii) of subparagraph (A) if the insured, acting in good faith and with reasonable diligence, encounters a delay or delays in approval for, or reconstruction of, the home or residence that are beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.
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.
The Land Value Issue

- Some insurers want to deduct an amount for the land under the home you want to buy
- This is an unsettled area of the law
- We recommend pushing back:
  - Ask where it states in policy
  - You are NOT asking for $ for land! Just cost of lost home
  - New home including land is same price as old home excluding land so it’s not a windfall
  - Bill in legislature for future
When you purchased your home, you purchased the structure as well as the land it sits on.

However, homeowner’s insurance only covers the structure, NOT the land.

Let’s say the house that was lost was worth $400,000 and the value of the land is unknown after the loss.
If your home was properly insured, your RCV should be $400,000 for a total loss.

If you decide to buy elsewhere, you will likely purchase a home around $400,000.

However, that $400,000 will necessarily include the value of both the house & LAND underneath it.

That means that you would be left with a house that is worth less than the $400,000 you received from your insurance policy to replace your previous home!

Result: The purchased home is worth less than your previous home because the amount of your insurance proceeds will likely be used to purchase the land under that house as well!
(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.
COVID-19 Time Limits

- Governor Newsome has now declared all construction services, in all counties, as “essential”
- However, contractors may have ill employees and cannot force them to work
- Department of Insurance bulletin has determined COVID-19 delays are out of the insured’s control
- DOI has requested extension of 90 days, after emergency is lifted, to enforce time limits
- New bulletin issued warning insurers to comply with statutory time limits.
- If insurer is delaying, contact Dept of Insurance
"Reasonable" progress?

• What is reasonable?
• What are the issues YOU have encountered?
• Explain specifically what you are doing towards rebuilding or replacing your home
• Be prepared to do this monthly
• How does buying change the situation?

• Try to estimate a timeline and ask for a cash out – It’s a gamble but can provide a set amount
EXAMPLES

• Difficulty finding/retaining professionals
  – Architects, engineers, contractors
• Cost increases due to increased demand
• Housing Market issues
• COVID-19
• How long did it take the carrier to pay the Coverage A benefits? This is a delay in the overall process and extends your ALE needs
Documentation is KEY!

- Present your requests clearly
- Make all requests in writing
- Explain what you need, when you need it, and why
- Keep a Claim Diary
  - Take notes on who you talked to, the number you called, date and time, what was said. Keep all of your paperwork organized and together
# KEEP A LOG OF CONTACTS

## PROGRESS TRACKER

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTIVITY</th>
<th>CONTACT PERSON</th>
<th>PHONE NUMBER</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/20/20</td>
<td>Called Realtor in Chico</td>
<td>Realtor Name</td>
<td>(530) 444-4444</td>
<td>Set appointment to tour houses on Saturday</td>
</tr>
<tr>
<td>7/25/20</td>
<td>Toured 2 houses</td>
<td>Name</td>
<td>(530) 444-4444</td>
<td>Addresses of homes toured</td>
</tr>
<tr>
<td>7/28/20</td>
<td>Called Permit Center</td>
<td>Permit Contact</td>
<td>(530) 444-4444</td>
<td>Reviewed permit process and times to approval - approx 21 days</td>
</tr>
</tbody>
</table>

|----------|-------------------------|----------------|--------------|-------------------------------------------------|
V. Conclusion

Based on the foregoing, effective as of September 21, 2018, in the event of a covered loss relating to a state of emergency declared by the California Governor, as defined in Government Code section 8558, coverage for additional living expenses must 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 is required to 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. Additional extensions of six months must be provided to policyholders for good cause.

We trust the foregoing is responsive to your request. If, however, you have additional questions or require further information, please contact the undersigned directly.

Very truly yours,

Kenneth B. Schnoll
General Counsel & Deputy Commissioner
FROM: Commissioner Ricardo Lara

DATE: April 3, 2020

RE: Extension of Policyholder Deadlines that Impact Claims or Coverage Due to the current State of Emergency Caused by the Coronavirus (COVID-19) Outbreak

In addition, the Department has received complaints from consumers and local and state officials that certain residential property insurance companies are insisting that insureds (who suffered losses in the November 2018 wildfires) must continue to repair and rebuild their homes during the COVID-19 crisis to obtain full replacement cost and Additional Living Expense (ALE) benefits.

This Notice reminds all insurance companies that new laws that went into effect before the November 2018 wildfires mandate that insurers provide no less than 36 months, plus additional 6 month extensions for “good cause,” for insureds to collect full replacement cost and ALE for delays in the reconstruction process that are the result of circumstances beyond the control of the insured.¹ Under the referenced chaptered legislation, 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.

Commissioner Lara and the California Department of Insurance have determined that the current COVID-19 pandemic is a circumstance beyond the control of the insured, thereby constituting “good cause” under the applicable laws.
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

- 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
CALIFORNIA DEPARTMENT OF INSURANCE

FOR FREE, PERSONAL ASSISTANCE WITH YOUR CLAIMS OR UNDERINSURANCE ISSUES

CALL US AT: 1 800 927 4357

OR GO ONLINE: insurance.ca.gov
Upcoming Roadmap to Recovery™ Events

WATTS UP?
Your Wildfire Claims Questions Answered
Thursday, August 20th – 6:00 p.m. to 7:00 p.m.

BUY INSTEAD OF REBUILD
Navigating relocation vs. rebuilding.
Thursday, August 27th 4:00 pm

REGISTER @ uphelp.org today
PRIOR ROADMAP TO RECOVERY WEBINARS

Underinsurance: Remedies for the Underinsured

Resolving Reconstruction Pricing Disputes: Learn how to reconcile your estimates and get your dwelling claim paid!

Maximizing Loss of Use/ALE Coverage

LINKS PROVIDED ON REQUEST: info@uphelp.org

Copyright 2020 United Policyholders
All Rights Reserved
THANK YOU
FUNDERS AND PARTNERS

Copyright 2020. United Policyholders.
All rights reserved.