



WATTS UP?!

Your Wildfire Insurance Claim Questions Answered

Roadmap to Recovery Workshop

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Roadmap to Recovery



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25+ years experience in claims and claims management,
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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 or speakers at our workshops.

Camp Fire (Paradise) - Insurance Claim Help

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by United Policyholders



May 3rd, 2019



If your property has been damaged or destroyed, we are here to help.

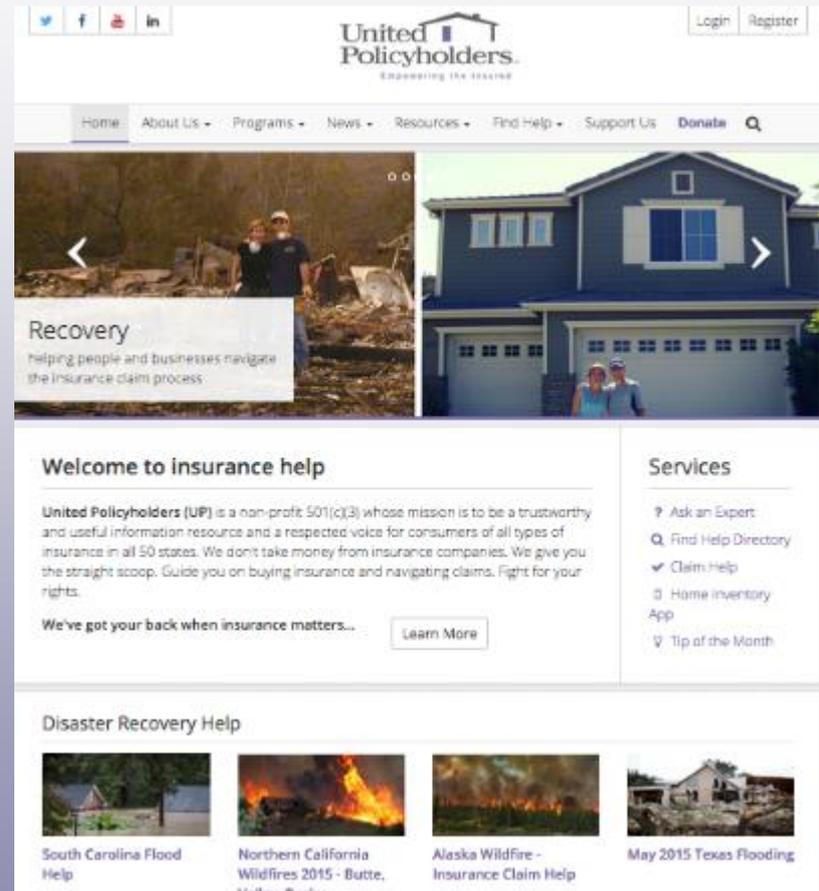
www.uphelp.org/camp-fire

- Schedule of upcoming recovery help events
- Links to professional/legal/government help

24/7 help on the web: www.uphelp.org

■ Insurance Claim Help

- Recovery Blogs:
www.uphelp.org/Camp-Fire
- Claim Help Library
- Guides for overcoming obstacles
- Links to Government and Professional help
- Tips from past disaster survivors
- Sample Letters and Claim Forms



Most Common Questions

- Dwelling Claim Settlement Issues
- Additional Living Expense Coverage
- Extended Replacement Coverage/Code Upgrade Coverages
- Buy or Rebuild?
- Land Value Deduction
- Underinsurance
- Contents
- Claim Handling Guidelines

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.

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 you 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

Replacement Cost

- **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..

Why are they only paying ACV?

- Most policies have “Loss Settlement Provisions” that specifically state that you are owed ACV (which is replacement cost less depreciation) until the property is repaired or replaced.

Is there a time limit ???

- 2051.5
- (b) (1) (A) (i) A time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall not be placed upon an insured in order to collect the full replacement cost of the loss, subject to the policy limit.
- (ii) In the event of a loss relating to a “state of emergency,” as defined in Section 8558 of the Government Code, a time limit of less than 36 months from the date that the first payment toward the actual cash value is made shall not be placed upon the insured in order to collect the full replacement cost of the loss, subject to the policy limit.

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.

What about ALE?

(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

My adjuster says only 24 months?

- Your adjuster is incorrect..
- They are relying on small print at the bottom that relates to time limits to make the policy forms match the law.
- (e) (1) On and after July 1, 2005, and only until July 1, 2019, all policy forms used by an insurer shall be in compliance with this section, except for the changes made to this section by the act that added paragraph (2).
- (2) On and after July 1, 2019, all policy forms issued or renewed by an insurer shall comply with this section in its entirety, including the changes made to this section by the act that added this paragraph.

Can I automatically have 24, or 36 months of ALE?

- No, the code says that other policy provisions apply
- You are entitled to the shortest amount of time to rebuild, replace or for your household to settle elsewhere...
- If pressed, provide your adjuster with written updates of what you have been doing to resolve the claim (contractors, realtors, etc.)

Buy or Rebuild?

What are my Options?

- Rebuild the same house on the same lot
- Rebuild a different house on the same lot
- Rebuild a house on a different lot
- Buy a house locally
- Buy a house somewhere else
- Don't buy or rebuild

How do I do that?

- The process is almost identical for all the different options
- 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
- If you were paid the full policy limits you will most likely not need an estimate

Where does it say I can do that?

- 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.

Overview of Buying (Instead of Rebuilding)

- You need to reach an agreement with your insurance company on the dollar amount it would theoretically cost if you did rebuild the exact same home that was destroyed.
- This includes code upgrade coverage and extended replacement cost coverage.
- This is the amount the insurance company owes you, (up to policy limits).

Can I buy a house for less money than my full extended replacement cost value and pocket the difference?

- NO

Can I buy a bigger/better house adding in my own money or a loan?

- YES

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:
 - If policy doesn't say they will deduct, they can't
 - New home including land is same price as old home excluding land so it's not a windfall

What if I am underinsured?

- Underinsurance is difficult in most cases
- Current CA law holds the homeowner responsible for choosing proper coverages AND coverage limits
- We understand the reality – that homeowners usually are “presented” with a policy by the agent, who chooses everything
- Often the limit is the amount of mortgage

Remedies for the Underinsured:

- Find/use leverage and convince insurer to pay above limits
 - Their fault, they gave you reason to believe your limits were adequate
 - Their mistake, their faulty underwriting
 - They undertook duty to set limits adequately
 - Seek a “retroactive reformation” of policy limits and offer to pay the difference in premiums
- Sue your agent/broker/insurer individually or in a group
- Sue another at-fault party

What can I do about that?

- Adjusters who come in from other states don't always know CA law, (although they are supposed to)...you may have to educate them
- Be sure you are referencing the CURRENT code section – the interweb has lots of old information
- [http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS§ionNum=2051.5.](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS§ionNum=2051.5)

Contents Claims

- Is there a deadline? Sort of...
- Get things in WRITING!
- RC vs. ACV and how to collect it
- Contents Inventory listing? Yes
- Ask for help!
- Some insurance companies have help to offer
 - Special adjusters to do an “interview” review
 - Companies who specialize
 - You can also hire help – it might make sense

CA Fair Claims Handling Practices

- Insurance Code 2695
- CA Dept of Insurance website
- HIGHLIGHTS:
 - 15 days to respond to communications
 - 40 days to pay or deny claims
 - Or send letter explaining what is needed & why
 - Can't recommend any repair entity, unless requested
 - When a customer submits a bid, they can either pay the difference, recommend a contractor IF ASKED, or do a "reasonable adjustment" of the estimate

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



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