



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 replacement¹, 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

¹ 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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www.uphelp.org | 381 Bush Street, 8th Floor, San Francisco, CA. 94104

Tel.: (415) 393-9990 | Fax: (415) 677-4170 | Email: info@uphelp.org | Federal Tax ID: 94-3162024

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
Contents Claim Tips: 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.

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.

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. 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).

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) 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 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.