

COLORADO—AFTER THE FIRE



Your Step-by-Step Home Insurance Claim Recovery Guide

If you have lost your home or suffered damage to your home or personal belongings as the result of a natural disaster you likely have many unanswered questions about how the insurance settlement process works. Keep in mind that it is a process that needs to be worked through step-by-step, but there is plenty of assistance available to you through your insurance company, state regulators and other financial service providers.

Your insurance policy is a two-party contract, so while it has certain financial limits and terms of coverage, that also means YOU have legal rights and customer service obligations that the company needs to satisfy. Knowledge about the process and insurance claims regulations will empower you in your recovery.

Step 1:

When You Return Home – Assess Damage & Contact Insurance Company

Upon returning to your home or business after a fire or evacuation, survey the property for damage. Contact your insurer or agent a.s.a.p to begin the claims process. As the first step in the claims process, your company will assign a claims adjuster to work with you.

Step 2:

Is Your Home a Total or Partial Loss?

Total Loss - If a home is uninhabitable after a covered loss, the Additional Living Expenses (ALE) provisions of a typical homeowners or renters policy will enable residents to secure temporary housing while the home is rebuilt. Keep all receipts for hotels and restaurants for reimbursement. ALE does not cover all living expenses but it will cover the increase over normal living expenses.

Home Inventory – After a loss insurers need to know what needs to be replaced. If you do not have a home inventory or video, begin making lists of the contents of your home. Go room by room and create a list of furniture, accessories, items in drawers, kitchen housewares, clothing, electronics, jewelry, linens and toiletries. *If you don't have a contents' inventory your company will work with you to help navigate documentation of what is needed and an amount of payment from your settlement will be offered up-front without documentation as required by Colorado law.*

Partial Loss – Make temporary repairs to prevent further damage. If the home is partially damaged, homeowners can cover roofs or broken windows to prevent further damage. Keep all receipts for reimbursement. Immediately report the damage to your insurer and make a list of damaged items for the adjuster. Do not throw away damaged furniture or items unless directed to do so by a public authority or your insurer. Document any damage to your home by taking photos or videos. If you have receipts, bills or an inventory of your items this will help expedite the claims process.



Step 3:

Working with an Adjuster

Insurers devote many resources to ensuring the claims process is smooth and meets your needs. After a loss your insurer will walk you through the claims process and answer questions, estimate the damage to your property and fairly and promptly settle your claim. Regular communication with your adjuster will ensure that claims are settled as efficiently and smoothly as possible.

Public adjusters are independent business people that have no relationship with your insurer. These individuals often solicit business after a major catastrophe like a wild fire. For a fee, a public adjuster will help a homeowner document the loss, schedule inspections and negotiate settlement amount. This fee comes out of the settlement provided by your insurer. You are not required to use a public adjuster to make a claim, but should you choose to do so, there should be a written contract for services that you should review carefully before signing. Most states have laws that cover the conduct, contractual terms and fees for public adjusters that you should consult before retaining a public adjuster.



Debris Removal

Coverage for removal of debris is automatically provided in a standard homeowners insurance policy. Compensation for debris removal comes out of Coverage A, the cost of rebuilding the structure of a home, and pays reasonable expenses for removal of debris following a covered event, such as fire, winter storm or wind. Structural rebuilding and debris removal is covered up to the amount the home is insured for. If costs exceed policy limits, some policies will pay an additional 5 percent to cover debris removal. If debris removal is completed by volunteers, a charitable organization or local government, the homeowner is not compensated.

Homeowners should work with their insurance company or agent to understand their debris removal coverage. Local governments can help homeowners find reputable and experienced vendors to clear property in a timely manner and in accordance with local ordinances.

Step 4:

Scope of Work

Your claims adjuster will work with you and your contractor to develop a Scope of Work. This is a detailed building plan used to reconstruct your home. The adjuster reviews your previous floor plan, square footage, and interior finish items such as carpet or wood flooring, counter tops, cabinetry, molding and plumbing. Homeowners insurance with replacement cost coverage will cover the cost of rebuilding your home with materials of like kind and quality, subject to the limits and terms of your insurance policy.

Step 5:

Insurance Payments & Types of Coverage

Be aware your homeowners insurance policy has several separate coverages, so you will receive different checks for different losses. Make sure you know what each payment is for.

ALE: Covers temporary living expenses of a separate residence while you rebuild;

Coverage A: Covers the cost of rebuilding your home;

Coverage B: Covers detached structures such as a garage, and is generally a percentage of the Coverage A limit; and

Coverage C: Covers the contents and personal possessions in your home and is generally a percentage of the Coverage A limit.

Work with your adjuster to understand the coverage you have for things like debris removal and foundation replacement.

Understand your policy. Do you have a replacement cost policy which generally provides for the repair or replacement of damaged personal property items, or an actual cash value policy that only provides reimbursement for the depreciated value of your covered personal property?

Don't be afraid to ask questions. You can ask to speak to someone "up the food chain" if you have questions or concerns your adjuster isn't adequately addressing. You can also contact the Colorado Division of Insurance to answer questions or assist with your claim. All insurance companies are regulated and licensed by the Colorado Division of Insurance and must follow the Fair Claims Practices Act. Contact the Division of Insurance at 1-800-930-3745/303-894-7490.

Step 6:

Working with Your Mortgage Holder

After a major loss there are many questions about routine activities – for instance should you continue to pay the mortgage, taxes and insurance? The answer is yes. Homeowners should continue to pay the mortgage and property taxes. Contact your mortgage holder and inform them of the fire damage. Your mortgage servicer has a financial interest in the home being rebuilt. Some mortgage services require two signatures on checks and may require insurance payments to be placed into an escrow account. The loan servicer may issue payments to contractors after work is completed in stages and inspected by the servicer's inspector. This ensures the home is repaired and insurance proceeds are not fraudulently used by a vendor.

Step 7:

Evaluating Insurance Needs

After a loss, work with your insurer or agent to determine the appropriate level of coverage to maintain during the rebuilding process. Be sure to adjust the coverage as necessary once the home is rebuilt.

Homeowners should assess their need to purchase flood insurance from the National Flood Insurance Program (NFIP). Monsoons or rainy seasons cause mudflow from erosion. Erosion becomes a concern for both residents that had damage or losses from the fire and those without damage in the path of potential mudflow.

Many homeowners do not realize the standard homeowners insurance policy typically excludes mudflow type losses. A flood insurance policy offered by the NFIP covers losses from mudflows and land subsidence as a result of erosion. The NFIP has a 30-day waiting period before flood insurance coverage becomes effective, so residents should take a look and assess their needs soon after a loss. For more information, go to www.floodsmart.gov.



Step 8:

Finding a Contractor

Always check references of contractors by calling previous clients or checking with the Better Business Bureau.

Be suspicious of any contractor that tries to rush you, offers unsolicited repairs to your home or says he is supported by the government. The Federal Emergency Management Agency (FEMA) does NOT endorse individual contractors or loan companies. Call 1-800-621-FEMA for more information.

Get three written estimates for the work and compare bids. Always have a written detailed contract that clearly states what the contractor will do, including prices for labor and materials, clean-up procedures and estimated start and finish dates. Never sign a contract with blank spaces which can be altered after you sign.

Never pay the full amount upfront or with cash. Use a check or credit card to maintain a record of your payments to the contractor. Pay for work as it is completed in installments. If you have a mortgage on the home, your mortgage servicer may require an escrow account and review work before installment payments are made to ensure the home is actually repaired to the original condition.

