



WOODRUFF
SAWYER

UNDERSTANDING YOUR HOMEOWNER'S POLICY

A Resource For Those Impacted by the CA Fires of 2018

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Disclaimer

This presentation has been prepared to assist Woodruff Sawyer clients, family & friends of the firm, and our Northern California communities impacted by the fires. It's aim is to help understand homeowner policy basics and the property claim process in general. You should consult your insurance agent, insurance company and/or legal advisor for questions regarding your specific claim situation. Remember, every insurance policy is different.

Key Provisions of the Property Portion of a Typical Homeowner's Policy

What Are the Basic Property Coverages of A Homeowners Policy?

- Three main coverage sections:
 - › Dwelling & Other Structures
 - Your house and any other structures (pools, detached garages, pool houses, etc.)
 - › Personal Property
 - Your personal belongings, house contents, possessions. Those things you own not a part of your physical dwelling.
 - › Additional Living Expenses
 - The increase in living expenses you incurred to maintain your normal standard of living while you are displaced.

Civil Authority

- There is an additional coverage in most policies that may come into play – Civil Authority.
Sample wording:

If a civil authority prohibits you from use of the **resident premises** as a result of direct damage to neighboring premises by a Peril Insured Against in this policy, we cover the Additional Living Expense or Fair Rental Value loss as provided under **1.** and **2.** above for no more than two weeks.

Your policy may cover your additional living expenses while you are displaced (subject to a limited time period) even if your home was not damaged.

Covered Perils (Things Insured Against)

- Virtually all policies cover damage caused by:
 - › Fire
 - › Smoke
 - › Resulting damage from fire (ie. Water damage)
- Note: looting/theft/vandalism as a result of evacuations or damage, while covered, may be treated as a separate claim and subject to a separate deductible.

Typically Covered (but limited)

- Money, bank notes, gold, silver, coins, etc.
- Watercraft
- Theft of jewelry, watches, furs, etc.
- Firearms
- Trailers
- *Not an all-inclusive list

Typically Not Covered

- Animals (including pets), birds, fish
- Motor vehicles
- Aircraft & aircraft parts

- *Not an all-inclusive list

Two Important Additional Coverages

- Debris Removal

- › Covered within (and as a part of) each specific limit (Dwelling Limit, Personal Property Limit).
- › If limits are met and there is still debris removal expense, additional 5% of each limit applies.

Example: \$500k Dwelling limit reached, Debris expense still present, the \$25k exists for additional debris removal ($.05 \times \$500,000 = \$25k$). Same calculation would apply for debris associated with Personal Property limit as well.

Two Important Additional Coverages

- Trees, Plants, Shrubs
 - › usually capped at 5% of property limit and no more than \$500 / tree, plant, or shrub
 - › There may be a separate \$500 coverage for removal of trees (in the aggregate)

Not Covered

- Ordinance or Law
 - › Most policies now include an optional coverage insuring cost to comply with ordinance or law (aka. “code upgrades”) when rebuilding.
 - › Subject to it’s own limit

Loss of Use

- If an insured loss (these fires) render the premises unlivable (uninhabitable) then your increased expenses (“additional living expenses”) are covered, subject to the limit (both a dollar limit and a time limit).
 - a. **Additional Living Expense**, meaning any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living; or
 - b. **Fair Rental Value**, meaning the fair rental value of that part of the **residence premises** where you reside less any expenses that do not continue while the premises is not fit to live in.

Additional Living Expense (continued)

- Examples
 - › Cost of temporary housing while your property being restored
 - › Meals if you're in a hotel/motel and cannot cook at your temporary location
 - › You can loosely think of it as the additional expenses you would not have incurred but for the fire (not part of your normal living expenses)

A Few Words About Endorsements

- Endorsements are written modifications to your policy. They may add or restrict coverage in the main policy form.
 - › It's important you read them to understand how they change your policy
 - › They often overwrite or replace portions of the main policy (think of it as a cut and paste)
 - › PAY ATTENTION TO THE ENDORSEMENTS ON YOUR POLICY

Deductibles

- Typically, only one deductible will apply, but there could be more than one.
- Usually expressed as:
 - › A dollar amount (i.e. \$1,000)
 - › A percentage of your limit (i.e. 1% of your building limit)
- When will my insurance company collect it?
 - › They won't really. They will deduct it from the last payment they make to you.

Understanding the Insurance Claim Process

Understand Some Things Up Front

- Insurance company manpower & associated resources will be strained.
- There may be a “team” of adjusters assigned to your claim.
 - › For example: one for the building, one for the contents, one for the additional living expenses.
- They may be hired professional claim adjusters, not employees of your insurance company (“independent adjusters”)

I'm Overwhelmed, What Do I Need To Do?

- Report your claim immediately
 - › Call your agent's office or the insurance company directly
 - › Obtain a claim# and keep it handy (they will ask you for it each and every time you call)
- If you are displaced, ask for an advance to help with your additional living expense and to secure the basics (toiletries, food, clothing, etc.)

Valuing & Documenting Your Loss

- Dwelling
- Documenting:
 - › Plans/blueprints if they exists (county building department)
 - › Photographs
 - › Contractor who built it
 - › Original contractor/architect contact info
 - › Don't worry about post-loss photos too much, an adjuster will inspect and take many photos.
- Valuation:
 - › Insurance co will help identify a contractor or estimator to estimate your loss
 - › They will look to rebuild with like kind and quality materials and restore you to “pre-loss condition”
 - › You should work to identify a contractor now (high demand)

Valuing & Documenting Your Loss

- Personal Property
- Documenting:
 - › Complete the inventory forms supplied by your adjuster
 - › Mentally sweep room by room: what was in there? Think: on the walls, on the floors, and in the drawers
 - › Don't ignore the basics: cleaning supplies, towels, stationary, etc.
 - › Family pictures taken in your home often show belongings in the background
 - › Credit card statements (may involve many years)
 - › Friends who were with you when you made significant purchases
 - › For smoke damaged items (but not physically destroyed) photo everything and only dispose if you have to (i.e. refrigerated food).
- Valuing:
 - › Receipts, credit card statements, internet
 - › Go to store where you originally purchased

Valuation Principles

- Most policies are replacement cost policies
- What this means:
 - › You will be paid the cost to replace an item with like kind and quality:
 - Example: Your computer was destroyed in the fire. You will be paid the cost of the identical or closest version of your computer. If you paid \$1,000 originally, but it is now \$800, you will be paid \$800. If it now cost \$1,200, you will be paid \$1,200.

Valuation Principles

- Even on replacement cost policies, you will not receive the full replacement cost payment until you actually repair or replace each item.
 - › Before replacement: You receive “actual cash value” (ACV)
 - › Replacement cost - depreciation = ACV
 - › 5 year old computer w/ \$1,000 original cost:
 - \$1,000 x 50% depreciation = \$500 ACV
 - You will receive \$500 up front and remainder once actually replaced.

Best Practices For Managing Your Claim

- Be organized
- Create a chronological activity log to document all your calls, communications and activity with the insurance company.
- Keep ALL your receipts (create separate folders for building, personal property, and additional living expenses).
- Work collaboratively with your insurance company. An adversarial relationship will only complicate an already difficult process.
- Accept that there will be areas of disagreement. Set them aside where you can and they can eventually be resolved.

Best Practices For Managing Your Claim

- Remember this will be a long process. Don't get overwhelmed. Think of your claim as three smaller claims:
 - (1) Real Property – rebuilding/repairing your home
 - (2) Personal Property – replacing your possessions
 - (3) Extra expense – getting reimbursed for the expenses you're incurring due to the fires.

End