

Insurance Document Help

Note: We are not attorneys, insurance advocates or in any way stating that what is written in this document is correct, this is just a summary of things we've found in the field and are passing on this information in hopes that it will also help you. When in doubt seek professional help.

There is a nonprofit group that has a lot of useful information and documents to help you through the insurance mess and can even help you with the advocacy process. You'll find it a rare occasion that the insurance companies initial payout is what you really deserve. It is worth your while to not just take their word for it. Here is their website, <http://www.uphelp.org/>.

Replacement Cost Coverage:

Replacement cost coverage works the same for the home as it does for the contents so I'll explain both here in case you don't know how it works. There is a time limit on recovering depreciation to replacement value and can only be extended if the insurance company agrees to the terms in writing before the original time expires. It can be different depending on the policy and whether it is for the home or the contents so make sure you understand what your insurance company requires. This is an area where homeowners often times leave money on the table.

For contents:

If you've lost your possessions and don't already have a list of what you originally had, and who does, then having a detailed list of things you might have had is a good way to help jog your memory. Here is a link to a page with a detailed list, scroll down and it is called "Inventory/Personal Property Claim Worksheets," <http://uphelp.org/pubs/samples-damage-and-proof-loss-documentation>.

Here is an example with simple math to help you understand depreciation and replacement cost coverage. You had a couch. It was 5 years old. A couch has a 10 year life expectancy. A new similar couch cost \$1000. Your depreciated value is \$500. The insurance company gives you \$500 for your depreciated value. You now can do whatever you want with that \$500, including pocketing it and not buying a couch, maybe someone donated one to you, used or brand new! The only way to get back your replacement value is to purchase a new or used couch for more than \$500, but your limit for reimbursement is a total of \$1000. So say you purchase the new similar couch and it costs \$1000. You turn in your receipt and you then get a replacement check for another \$500. If the new couch you buy costs \$750, then you will only get \$250 in your replacement check. Final example, you purchase a new, nicer couch for \$1500, then you turn in your receipt, you only get \$500 back because that is all a replacement couch for what you lost cost. Insurance companies often times use standards for determining original value and average time used to determine replacement and depreciation value. If you happen to have some way to prove what you paid, what you had and when you purchased the items, it will help, but you can still fight them for their initial findings as

long as you are within the limits of your policy. This would apply whether you have replacement cost or not for your depreciated value.

For the structure:

Most insurance companies use an industry standard quote called Xactimate. A lot of reputable contractors use the same software. While different contractors are able to charge whatever they want, there are industry standards for everything and that is all that the insurance company is required to pay. This doesn't mean that if you had solid oak kitchen cabinets that they only pay for fake wood replacements, it is an industry standard to charge the same amount of labor and materials for the same item.

Using their software the insurance company will give the homeowner a "Summary or Proof of Loss" statement. Included in this statement should be a cover page often times involving a written summary of the findings and it will give you the overall payment structure. Then it will list room or elevation each separately with a detailed list of what is being repaired/replaced. Most then breakdown each trade for instance what the total paint payout is, drywall total, etc. It will also break out the "GC" charge, etc. The written summary of the payout will list damages to rebuild and among other things subtract depreciation and deductible if applicable.

So for our example lets say you have a \$1000 deductible and it is determined by the software that the loss is \$200,000. They figure your depreciation at \$100,000. Without any of the other extras to keep it simple, your check is for \$99,000, depreciation value minus your deductible. The statement will also list that the recoverable depreciation is \$100,000. Once the work is completed, your contractor would then get the recoverable depreciation value check of \$100,000. If you decide to do the work yourself, it gets complicated, but you can still recover most if not all of your replacement cost. Remember there is a time limit on getting this back and just like contents, this is a huge area where money gets left on the table.

Insurance companies will assume average things and average life used for everything unless you confront them about things that you know they are wrong on. It is probably a good idea to look at what they are paying for compared to what you originally had. Remember though that you can't exceed the policy limits and replacement costs will take you over your base policy limits, but there is also a limit on replacement cost coverage. If you didn't have enough insurance coverage for what you actually had in your home, it is not the insurance companies' responsibility to pay more than the coverage you paid for.

The "proof or summary of loss" sheet will often times not include everything. A good contractor knows how the "insurance/mortgage system" works. Unless you have reached your policy limits, there is still the possibility for them to get more money for "hidden" and/or "unknown" damages and/or things that the adjuster just missed. There is an exact process that must be followed and your contractor must follow this procedure and the insurance company should pay for these repairs. You should never agree to just have them fixed and to pay for them and deal with the insurance company

yourself, it is the contractors responsibility. In most cases the loss payout includes a "GC" or "supervisors" fee to oversee the project on larger jobs and this is what contractors are paid to do. If your contractor is not willing to do this type of stuff, is not willing to work within the "insurance/mortgage" system, requires you to pay money up front, etc, then you should find another contractor who can best help you to get your home rebuilt/repared for the least amount of money, deposits, time involved by the you, the homeowner, etc. I can't tell you how many times we've seen homeowners get ripped off by contractors so be very careful. If you choose a contractor and end up not getting the work done, the insurance company is not responsible to pay you again.

There will be many cases where you are getting repairs done on your homes for things that weren't caused by the tornado. This is common in these situations and sometimes a smart move on your part. For instance, the tornado damaged the front part of your roof. The roof is 25 years old and really needs to be totally replaced. The insurance company will only pay for the front, you are responsible for the rest, it wasn't tornado damage and the insurance company is paying for what you paid them to cover. Most contractors will try to talk you into doing more than what the insurance pays for. If it is storm damage, then the contractor needs to follow procedure and get the damages fixed. If the repairs are maintenance, then the homeowner is responsible to pay for them.

After most disasters many skilled volunteer groups show up to help. They often times get involved in cases like this as it totally makes sense to replace the whole roof. You can purchase the materials with the insurance money and volunteers can do the work for free. This doesn't always happen and would need to be discussed on a case by case basis depending on other factors such as income, etc.

If you've lost your entire home and have full coverage insurance with replacement cost coverage, then your insurance is supposed to cover the complete demolition and removal of the old home including the foundation. It will also pay for a new foundation. There are limits in policies, but because it is totaled, there are extras that go beyond the value of the original home policy. These "extras" pay for demo and a new foundation, etc. There can also be extra allowances for debris removal. If a volunteer group does work on your home, the insurance company is still responsible to pay you this money. You can use it for other things, donate money to volunteer groups, etc. Also, if your roof was penetrated and you tarped it, insurance companies pay for that. Typically a whole house roof nets \$500. Again, it doesn't matter who does it! Just take pictures!

Any building, structure, etc that is not attached to the home and a fence, etc is only covered if you have Appurtenance and/or "Other" Structure Coverage. Most of these will have low limits. A garage that is attached to the home is part of the home coverage. If you have a swimming pool, trampoline, etc and didn't tell the insurance company, then they probably won't cover any damages done to it, but it never hurts to push!

Trees/Landscaping:

Tree damage is only covered if the tree falls onto a covered piece of property such as your home, driveway, etc. Most times the coverage is only to remove the tree from the covered structure, not necessarily to haul the tree away. Otherwise trees and landscaping are rarely paid for by your insurance company. This is another area where volunteer groups are willing to help.

Debris Removal:

Many times local communities also take care of removing debris that is put near the street, especially if they receive FEMA money. If you hire a contractor, the government is not required to haul any debris away. It is the responsibility of the contractor so make sure they do it. It is also important to sort debris via building materials, vegetation, electronics and chemicals.

Bringing Your Home Up to Current Code:

You may have O/L (Ordinance/Law) or ICC (Increased Code Compliance) coverage on your home. If your home has more than 50% damage the government will require that your home be brought up to current codes. This is what this coverage covers. Most policies that have this coverage have 10% of your base policy, which is over and above, to cover this. Some governing bodies require that everything be brought up to code and some just certain things. If you are building a completely new home, this can mean extra money that goes towards the rebuild. There are policy limits on this and this is above and beyond the above mentioned coverage.