



# Consumer Insurance Guide

## Southern California Fires The Recovery Process Begins

Many families suffered great loss in the recent fires in Southern California. The process of recovery is now beginning. Most people buy insurance hoping never to use it. Now you must. The process of filing a claim to receive money from the insurance policy can be confusing and aggravating.

We hope that the following information will give you guidance in receiving the most benefit from the insurance coverage you have purchased. Although policies vary, most are structured quite similarly.

If your insurance policies were destroyed in the fire, you can and should get copies from your insurance agent. If you do not know who this is your lender can tell you not only the name of your insurance company but also your insurance agent. If you do not have a loan, you can obtain the insurance information in other ways, such as through the Department of Insurance 1-800-927-HELP (4357) or IBA West or call your insurance company directly to report the loss. Most insurance companies have set up hot line claims telephone numbers.

Because there are many categories of property that were damaged and many different types of insurance policies, this article will list the insurance coverages and issues by type of property. For example, if your home was not damaged, but your car was damaged by fire or smoke, go to the section that discusses autos.

We will start with the insurance on your home. If you own a condo, there is a separate condominium insurance section. If you do not own a home, but have renters' insurance on your personal property, there is a separate section for renters' insurance. For people that have homes in what is called the brush hazard area, you may have insurance through the California Fair Plan. If so, there is a section that will describe that type of policy.

In all cases, the first step is to contact your insurance agent or insurance company and file a claim. This means that you will give them your name, a description of the loss (fire, smoke, water, vandalism, theft), the approximate date of the loss (you may not yet know exactly the date your property was destroyed, so start with the date you were evacuated) and the type of property that was damaged. Ask the person taking the report to give you the claim number, the adjustor's name and the date the adjustor will contact you. Keep notes on that information.

If someone calls you and says they are a claims adjustor, have them reference the claim number and the name of the original assigned adjustor before providing any information. This is to protect you from giving any information to a person who may be trying to take advantage of you. The California Department of Insurance has established a fraud hot line number.

### Homeowners' Insurance

Your homeowners' insurance contains four areas of coverage: (A) Your home; (B) Other Structures; (C) Personal Prop-

erty; (D) Loss of Use. Most policies will have coverage amounts shown for these four coverages.

### Coverage A:

The coverage amount for your home will include payment for the following:

- The cost to clear the debris left from the fire. There may be restrictions on the dollar amount. Ask your adjustor to identify any restrictions in the policy and where to find the language in the policy and verify.
- The cost to rebuild your home and any other attached property, such as an attached garage. Ask your adjustor to specify that this includes the cost to hire an architect and to file for building permits. If the insurance company wants to use their own architect firm(s) and contractors, ask if this is required by the policy or if you can use companies of your own choosing, provided they are approved or their costs and bids are equal or less than those hired by the insurance company.

Your home may need structural changes due to building ordinance changes since it was built. If so, your policy may pay for these additional costs. Check your policy for Ordinance or Law coverage or ask your insurance agent if you have this coverage and if so, check how much coverage you have. Many insurance companies put a maximum dollar limit or use a percentage of the home coverage amount. Know this information before discussing re-building with your claims adjustor.

The policy will also tell you the valuation method of payment for your home. Most homeowners' insurance covers the house for replacement cost. This means the insurance will pay to rebuild your home, but you must rebuild in order to get paid this replacement cost amount. If your policy also contains ordinance coverage, then the insurance will also pay to improve the home and bring it up to current code. If you do not have replacement cost, or if you do not rebuild, then your policy will pay the actual cash value of your property. This means that the insurance company will pay you the depreciated value of your property.

Most policies will put a time limit of 180 days from the date of loss to actually getting paid replacement cost. Check your policy under the loss valuation section. If you see a time restriction, ask your adjustor to waive this condition and **put it in writing to you**. In a catastrophe such as this, it can easily take several years to rebuild.

Some policies have enhanced coverage called extended replacement cost. This means that if you have a total loss of home, and you have insured the cost to replace your home, the policy will pay above the limit of coverage shown on the first page of the policy. This is almost always shown as a percentage

amount. So, for example, if you have a policy that includes this coverage, your limit of coverage of \$200,000 might be increased to \$250,000. Again, before talking to your adjuster, find out if this is in your policy by looking on the first page of the policy, called the Declarations page, or in the loss settlement section of the policy. Ask your adjuster to tell you the conditions to fulfill to receive this enhancement.

Another enhancement is called guaranteed replacement cost coverage. This is very unusual coverage. This means that your home will be rebuilt no matter the cost or the limit of coverage on the home. Look for this on the Declarations page or in the loss settlement section of the policy. If you have this coverage, ask your adjuster to tell you the conditions to fulfill to receive this enhancement.

You will have a deductible. This amount is shown on the Declarations page. It does not apply for each section of the policy. This amount will be deducted once from your entire loss.

### **Coverage B:**

This coverage is for other structures that are not attached to your home. This amount is often 10 percent of the limit of coverage on your home, but is additional coverage. The type of structures could include a detached garage, fence, storage shed, pool, gazebo, etc.

Some of these structures might be affected by ordinance changes. Not all policies cover these changes even when you have purchased Ordinance or Law coverage. Check the language under the Ordinance or Law section or endorsement and see if the language refers to the "Dwelling" only or if it refers to "Dwelling" and "Other Structures that are buildings."

Most policies will have restrictions on the coverage if you were renting any of these structures to other people. Check the policy under the Coverage B Other Structures description of coverage for these limitations.

Some policies cover other building structures at replacement cost and structures such as fencing at actual cash value, meaning that depreciation will be applied to the fence and will depend on things such as type of fencing, wear and tear, and age. Check the policy language under the loss settlement section.

### **Coverage C:**

This section of your policy covers your personal property.

The coverage amount is often 50 or 70 percent of the limit of coverage on your home. As an example, if you have \$200,000 coverage on your home, you will have an additional amount of coverage for your personal property of either \$100,000 or \$140,000. The coverage applies to property inside your home, garage, storage shed, in your yard, in storage away from your home, and inside your car, wherever the property was at the time it was destroyed.

If your personal property was normally kept at a vacation home, and that is the home that was destroyed, the damage is paid for under the policy that covered that vacation home. If that policy doesn't cover your loss completely, your primary home policy may have an additional amount of coverage for you, typically 10 percent of the contents limit.

Some types of property will have a maximum amount of coverage and these will be listed in your policy under the section called Coverage C or Contents. Typically the policy limits payment on cash, valuable papers, trailers and business property. Read this section carefully.

Landscaping is often limited in the policy to a maximum of \$500 per tree, shrub or plant and an overall maximum of five percent of the home coverage limit. This is normally additional coverage so the payment for these damaged items is in addition to the payment for the home, other structures and contents.

Some types of property are not covered at all. Look in your policy under the Coverage C Contents coverage description and check the policy section called Property Not Covered. You will see a list of categories of property that the policy will not pay for at all.

Replacement cost coverage on your contents is common in homeowners' policies. Look on the Declarations page, check the loss settlement section or look for an attachment called replacement cost contents. Call your insurance agent and ask them to check for this coverage. This is important because it means you will get paid the cost to replace your property and not the actual cash value. Depreciation on personal property can be substantial.

The adjuster will ask you to give them an inventory of the property that was damaged or destroyed. This is a tedious and time consuming process. You will be asked to make a list, describing the property, the approximate age of the property and the current cost to replace. Many times the adjuster will make a partial payment using the actual cash value first and then will pay the replacement cost difference as you actually replace the items, providing them with a copy of the receipt.

Take your time in completing this inventory list. It will be difficult to remember everything you owned that is now destroyed. List every pot, pan, dish, towel, clothing item, furniture, throw rug, DVD, CD, video movie, tool and game or toy that your family owned. Families accumulate property over the years and a lot of property value is in the kitchen, bedrooms, linen closets and garage. If you don't list it, you won't get paid correctly. If you had time to take pictures of the rooms before you left, use these to jog your memory. Ask your insurance agent or the adjuster if they have an inventory form that lists commonly owned types of property.

It is possible you had special coverage provided for certain types of high value property. This is often provided by a special coverage called a Personal Articles Floater. The property will be scheduled and a maximum value assigned to each item. If you have this coverage, you would have been asked by your insurance agent or the insurance company to provide this list and possibly appraisals at the time you purchased your insurance. This is separate coverage and will not affect the contents coverage limit of your homeowners' policy. Your adjuster will ask you to list those items separately.

### **Coverage D:**

This section is called Loss of Use or Additional Living Expense.

It is often provided as a percentage of the coverage limit of the home. So if your home is insured for \$200,000 you might have \$40,000 additional coverage. Since you will still have to pay your mortgage while the rebuilding is going on, this important part of the policy will pay the rent on another home or apartment to house your family elsewhere while your home is being rebuilt. You may be staying right now in a hotel. Your adjustor will include these costs in your loss payment and will encourage you to find an apartment or home to rent. Since most policies will only pay up to the limit for this coverage, it will be necessary to use this carefully as you could be out of your home for a long time.

If your home was **not** damaged, but you were ordered to evacuate, this section of coverage also pays for your family to live elsewhere while under the evacuation order. Typically these costs are covered for a maximum of two weeks, although some insurance companies have increased this to three weeks or possibly 30 days.

### **Other Coverage Issues**

If you are part of an Association of Homeowners you may be assessed part of the cost to rebuild commonly owned property, such as fencing or a recreation area. Your policy may contain coverage called Loss Assessment. This portion of the policy will pay up to \$1,000 or more of the assessment amount, depending on the limit in your policy. Go to the Additional Coverages section of your policy and check the amount shown in the policy for your amount of coverage.

### **Condominium Insurance**

Your condominium insurance contains three areas of coverage: (A) Your condo; (C) Personal Property; (D) Loss of Use. Most policies will have coverage amounts shown for these three coverages.

The coverage amount for your condominium will include payment for the following:

- The portion of the building that is identified as your condominium.
- Any portion of the building that is your responsibility under the terms of your Association agreement.
- Any structures that are your responsibility under the terms of your Association agreement.
- Improvements you have made to the interior of your condominium.

Before talking with your adjustor you will need to get a copy of the Association documents, commonly referred to as CC and Rs. Contact any of the directors of your Association and ask them to provide a copy of that document if your copy was destroyed in the fire.

You will probably work with a second insurance company and adjustor as the commonly owned structures are covered under a commercial policy and your coverage will be secondary to this policy.

You will need to have a clear understanding of your obligations according to your Association rules as well as the obliga-

tions of the Association in the rebuilding of the structures. Often the unit owner is responsible for the structural items within the walls that make up the boundary of your described unit and the Association is responsible to pay for the structural items that make up the rest of the building.

### **Coverage C:**

This section of your policy covers your personal property.

The coverage is the same as outlined above for the homeowners' policy. Please go to that section of this article for the particulars.

### **Coverage D:**

This section is called Loss of Use or Additional Living Expense.

The coverage is similar to that which is outlined above for the homeowners' policy. The main difference is that the limit of insurance is a percentage (often 40 percent) of the contents coverage limit. It will be additional coverage.

Since you will still have to pay your mortgage while the rebuilding is going on, this important part of the policy will pay the rent on another home or apartment to house your family elsewhere while your home is being rebuilt. You may be staying right now in a hotel. Your adjustor will include these costs in your loss payment and will encourage you to find an apartment or home to rent. Since most policies will only pay up to the limit for this coverage, it will be necessary to use this carefully as you could be out of your home for a long time.

If your condominium was **not** damaged, but you were ordered to evacuate, this section of coverage also pays for your family to live elsewhere while under the evacuation order. Typically these costs are covered for a maximum of two weeks, although some insurance companies have increased this to three weeks or possibly 30 days.

### **Other Coverage Issues**

If you are part of an Association of Homeowners you may be assessed part of the cost to rebuild commonly owned property, such as fencing or a recreation area. Your policy may contain coverage called Loss Assessment. This portion of the policy will pay up to \$1,000 or more of the assessment amount, depending on the limit in your policy. Go to the Additional Coverages section of your policy and check the amount shown in the policy for your amount of coverage.

### **Renters' Insurance**

Your renters' insurance contains two areas of coverage: (C) Personal Property; (D) Loss of Use. Most policies will have coverage amounts shown for these two coverages.

### **Coverage C:**

This section of your policy covers your personal property.

When you purchased this coverage you were asked to select an amount of insurance that would cover the value of your contents. This is your limit of coverage. This limit can be found on the first page of your policy, called a Declarations page.

If you do not have your policy, call your insurance agent that arranged for your coverage. If you do not know the name of your insurance agent, but you think you know the name of your insurance company, call the company directly. If you do not remember your insurance agent or the insurance company, call the Department of Insurance 1-800-927-HELP (4357) and they will assist you in locating your insurance company.

Other than the information on the limit of insurance, the coverage is the same as outlined above under the homeowners' insurance Coverage C section of this article. Please go to that section for the particulars.

### **Coverage D:**

This section is called Loss of Use or Additional Living Expense.

The coverage section pays your Additional Living expenses until you find a permanent new home or apartment to live in. For example, if you are temporarily living in a hotel, this coverage will pay those costs until you rent a new home or apartment. This coverage is often a percentage of the coverage amount for your contents. For example, if you have \$40,000 contents coverage, you could have \$8,000 additional coverage for your Additional Living Expenses.

If your home or apartment was **not** damaged, but you were ordered to evacuate, this section of coverage also pays for your family to live elsewhere while under the evacuation order. Typically these costs are covered for a maximum of two weeks, although some insurance companies have increased this to three weeks or possibly 30 days.

### **California Fair Plan (Dwelling Policy)**

This is a policy written for homeowners when they are unable to purchase insurance on their home in any other company. This is typically when the homeowner is not in a town with fire protection and is located in the Southern California area known as the brush hazard area.

This policy is highly restrictive and does not contain nearly the coverage as described above under the homeowners' insurance section of this article.

The Fair Plan policy contains three areas of coverage: (A) Your home; (B) Other Structures; (C) Personal Property. The policy will have coverage amounts shown for these coverages on the first page of the policy known as the Declarations page.

### **Coverage A:**

The coverage amount for your home will include payment for the following:

- The cost to clear the debris left from the fire. This will be part of the coverage limit.
- The cost to rebuild your home and any other attached property, such as an attached garage.

The loss will be covered on an actual cash value basis and not on a replacement cost basis. This means that the adjuster assigned to your loss will start with the cost to rebuild or repair your home, not including any changes required by new building

codes, and then will take depreciation based on the age and wear and tear of the home. The policy deductible will also be taken from the amount paid on your claim. If the amount of loss is greater than the limit of insurance, then the limit becomes the maximum paid on the claim.

### **Coverage B:**

This coverage is for other structures that are not attached to your home.

This amount is 10 percent of the limit of coverage on your home. In this policy this coverage is not in addition to the coverage limit on your home, but is included in the limit of Coverage A.

Meaning, if the Coverage A limit is \$200,000, you can use up to \$20,000 to pay for the rebuilding of a detached garage and storage shed, but you now have only \$180,000 to pay for the rebuilding of your home.

If you were renting any of these other structures to other people, the policy will have restrictions of coverage. Check the policy language under the section called Coverage B Other Structures for those limitations.

The loss will be paid on an actual cash value basis, not a replacement cost basis.

### **Coverage C:**

This section of your policy covers your personal property.

This coverage amount is 50 percent of the amount shown for your home and will be listed on the Declarations page.

Some types of personal property are not covered at all. Check the policy language under the section called Coverage C Contents and read the list under the Property Not Covered.

The loss will be paid on an actual cash value basis, not a replacement cost basis. This means that depreciation will be taken against the age, usage, obsolescence and wear and tear of the article.

The adjuster will ask you to give them an inventory of the property that was damaged or destroyed. This is a tedious and time consuming process. You will be asked to make a list, describing the property, the approximate age of the property. Take your time in completing this inventory list. It will be difficult to remember everything you owned that is now destroyed. List every pot, pan, dish, towel, clothing item, furniture, throw rug, DVD, CD, video movie, tool and game or toy that your family owned. Families accumulate property over the years and a lot of property value is in the kitchen, bedrooms, linen closets and garage. If you don't list it, it won't get paid for. If you had time to take pictures of the rooms before you left, use these to jog your memory. Ask your insurance agent or the adjuster if they have an inventory form that lists commonly owned types of property.

### **Coverage D:**

This section is called Fair Rental Value.

The coverage section pays your loss of rental income resulting from the fire damage to your house. This coverage is very limited. Check with the adjuster assigned to your claim for coverage specifics.

If your home was **not** damaged, but you were ordered to evacuate, this section of coverage also pays for loss of rental income while under the evacuation order. These costs are covered for a maximum of two weeks.

## **Autos**

Your car may have been damaged by fire, smoke, water or vandalism. Even though your car may have been damaged while in your garage, the coverage that will pay for your car damage is called Comprehensive or Other Than Collision coverage and it is found in your automobile insurance policy.

Check the first page of your policy. If you see a deductible and a premium paid for this coverage, call your insurance agent or insurance company directly and file a claim.

Your vehicle will be covered at the actual cash value of your vehicle at the time and location of your loss. This means what the car was worth right before the damage occurred. If individual items such as the tires or car seats were damaged and not the entire vehicle, the adjustor will reduce your payment by the age, wear and tear, and usage of those items. If the vehicle can be repaired, the adjustor will work with the auto repair or body shop to pay those costs. Because the vehicle has had damage and has been repaired, it may lose value if you want to sell the vehicle later. The insurance policy does not cover this loss of value.

You may have also paid for coverage called Rental Reimbursement. This will also be on the first page of your policy. An amount per day will be shown, often \$30 a day or higher and can pay up to 30 days for a rental car for you to drive until the claim is paid for the damage to your car or that 30 day maximum, whichever happens first.

The adjustor can reimburse you for your costs, or you may be able to negotiate a direct payment to the rental car company. Talk to your insurance agent or claims adjustor about this process.

## **Motor Homes, RVs, etc.**

Your motor home or RV may have been damaged by fire, smoke, water or vandalism. You may have coverage on your automobile insurance policy or a specific policy covering your motor home or RV.

The coverage that will pay for the damage is called Comprehensive or Other Than Collision coverage.

Check the first page of your policy. If you see a deductible and a premium paid for this coverage, call your insurance agent or insurance company directly and file a claim.

Your vehicle will be covered at the actual cash value of your vehicle at the time and location of your loss. This means what the motor home or RV was worth right before the damage occurred. If individual items such as the tires or car seats were damaged and not the entire vehicle, the adjustor will reduce your payment by the age, wear and tear, and usage of those items. If the vehicle can be repaired, the adjustor will work with the auto repair or body shop to pay those costs. Because the vehicle has had damage and has been repaired, it may lose value if

you want to sell the vehicle later. The insurance policy does not cover this loss of value.

## **Trailers**

If you own a trailer that was damaged in the fire there may be coverage under more than one policy. This could be a travel trailer, fifth wheel, horse trailer, utility trailer, etc.

The first policy to check is your automobile insurance policy. If the trailer is listed and you have purchased Comprehensive coverage, also called Other Than Collision coverage, you will see a deductible and premium by that coverage. Call your insurance agent or insurance company and file a claim for the damage.

If you do not have coverage on your automobile insurance policy and the trailer was on your property at the time of damage, you may have some coverage on your homeowners', condominium or renters' insurance policy. This is usually limited coverage and may only pay up to \$1,000 or \$1,500. Check your policy under the Coverage C Contents Special Limits section.

Just like other types of property, the coverage may be valued at replacement costs, but if the trailer is worth more than the limit, then the special limit is the most you can receive.

## **Watercraft**

If you own any type of watercraft, such as a fishing boat, pleasure craft, sail boat or yacht, you likely will have a separate policy covering this vessel. If the watercraft has sustained damage from the fires, including smoke damage, you should check this policy for physical damage coverage. The coverage is likely to be described as Comprehensive or part of what is called Hull coverage.

You will have a maximum limit of coverage and a deductible that can be found on the first page of the policy, called a Declarations page.

Check the policy under loss settlement or loss valuation to see if you have replacement cost coverage or actual cash value. If you have replacement cost coverage, the policy will state that the insurance company will pay without deduction for depreciation. If you have actual cash value, then the policy will state that and the insurance company will pay the claim and will deduct depreciation for age, usage and obsolescence from the amount of the cost to repair or replace. The adjustor will also apply your deductible against the amount of the payment.

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