When A Disaster Strikes:

What to Do After An Insured Homeowners Loss

A Question and Answer Guide for Insurance Consumers

NOTICE

This consumer's guide should be used for educational purposes only. It is not intended to be an opinion, legal or otherwise, of the Arkansas Insurance Department on the availability of coverage under a specific insurance policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.

Introduction

If a tornado, flood, earthquake, or other natural disaster damages or destroys your property, you will likely have many questions, and be faced with many decisions. Concerns about temporary shelter, emergency repairs, and the costs of restoring or rebuilding your home can be overwhelming; and although you have purchased insurance, it may be difficult to think clearly about filing an insurance claim.

The Arkansas Insurance Department has designed this booklet to answer the questions most commonly asked about settling disaster-related homeowners insurance claims. If, after reading it, you have additional questions or problems that you cannot resolve with your insurance company or agent, please contact us.

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Consumer Services Division
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Consumer Service Investigators are available to answer questions from 8:00 a.m. to 4:30 p.m., Monday through Friday.

In the event of a major disaster, state and federal agencies will establish disaster assistance centers to provide a variety of disaster relief programs to the public. Information about the location of the disaster assistance center, and any toll-free assistance numbers will be published in local newspapers, and broadcast on local radio, and television stations.

How do I report a claim?

Your insurance agent is the first link between you and your company. If your agent is unavailable or if your insurance company does not have representatives on the scene available to help you, call the company directly and ask for the claims department. The company's phone number is listed in your policy or can be obtained through the Arkansas Insurance Department.

It is very important that you fully understand your rights, and responsibilities so you can take charge of your own situation. If your insurance policy has been lost or destroyed in the disaster or if you are confused about the policy benefits or exclusions, your agent or company will be able to tell you exactly what coverage's you have purchased.

What should I do if my company has not responded to my claim?

After you report your loss, the insurance company will assign a company representative to check the damage to your property, and determine how much will be paid for your loss. If is it necessary to vacate your home, be sure to report the address, and phone numbers where you can be reached. If there has been a delay, do not hesitate to call back, and find out who was assigned to your claim, and how to reach that adjuster.

Arkansas has certain laws and regulations that govern the claims handling practices of your insurance company. For example, insurance companies are required to acknowledge the receipt of your claim within 15 working days. They are also required to provide you with the appropriate forms to file a claim. If your company has not responded to you within the required period of time or if you have experienced any other unreasonable delays in the handling of your claim, the Insurance Department can provide assistance.

What information must I give to the company representative?

Your homeowner's policy requires you to complete a claim report, which lists all items destroyed, damaged, or missing. If you do not have or cannot locate a complete household inventory, try to picture the contents of every room in your home, and then list, and describe all the items that were damaged or destroyed. Your list should include furniture, major appliances, electronic equipment, pictures or accessories in each room, hobby items (such as fishing or camping equipment)

tools, other home maintenance items, and seasonal items such as holiday decorations or outdoor furniture.

As accurately as possible, try to remember when or where you bought each item, how much you paid for it, and how much it will cost to replace it. It is also helpful to include the brand name, and model number, if you know it.

What services can I expect from the company representative?

The representative may ask to examine all damaged items to prepare a written damage estimate for the company. You may ask for a copy of this report, and should not hesitate to ask questions if you do not understand it, or need help in completing the claim form. The company representative is there to work with you to conclude the claim, however, the burden of proving your claim is your's.

Should I wait for the company's permission to begin clean-up?

To protect your property from further damage, you should make all necessary temporary repairs, such as boarding up windows, and patching holes in walls or roofs, as soon as possible, even if you have not yet seen the company representative. You can also move your personal property to a protected area, and begin cleaning, and drying items damaged by water. However, you should not dispose of any items that you believe may be a complete loss until the company representative has examined them.

Take photographs to show the way the damages looked before you begin cleaning and repairing, and be sure to keep receipts for all of your clean-up expense. Most homeowner's policies cover the reasonable costs of emergency clean-up, and temporary repairs.

Can I hire someone to make emergency repairs?

Probably. Most homeowner's policies cover materials, and reasonable labor expenses for temporary, and emergency repairs in addition to any final repairs made to your property. You should also ask your company representative whether the company will compensate you for work you do yourself. Be sure to keep all of the receipts. The cost of hiring someone would be applied against the coverage limit.

How should I go about choosing a contractor to make repairs?

When choosing a contractor, you should make sure that you deal only with established firms or individuals that can provide references, appropriate proof of insurance, and are willing to give you a signed contract. If family members or friends cannot recommend a reputable contractor, check with the local disaster center, your local building code department, or the Better Business Bureau for guidance. Call the Arkansas State Contractors Licensing Board, 501-372-4661.

Obtain written estimates before repairs begin, and do not sign any contacts for major repair until the company representative has determined how much damage there is, and how much the company will pay.

A contractor told me he can do the job faster if I just sign my check over to him. Is that a good idea?

No. If the repair work is extensive, the contractor may ask for periodic partial payments as the work progresses, but it is highly unlikely that a reputable contractor would request full payment in advance. The contract should specify that payments will be made as the work is completed. Normally, that works out to l/3 up front, l/3 at the half-way point, and l/3 at completion. If you have a mortgage on your home, the lending institution may also have specific requirements as to how the insurance funds are disbursed. If the mortgage company's name is on the check as well, be sure that the money is available for repair, not applied against the principle owed.

What if my contractor says the repairs will cost a lot more than the company representative has allowed?

If there is a discrepancy over the cost of repairs or the contractor has found hidden damages, you should first contact the company representative, and try to resolve the difference. The fastest way through that process is to have your contractor, and the adjuster meet at the home at the same time. If you are still unable to resolve your differences, contact the Consumer Services Division (CSD) of the Arkansas Insurance Department.

My home suffered heavy structural damage, and I'm afraid to live in it. The company representative says it's repairable, but the contractor and I disagree.

Obviously, you should not endanger yourself or your family. If your home appears to be unsafe to live in, report this fact to the insurance company, and reside elsewhere. If the company representative agrees that the house is structurally unsafe, the company will hire a structural engineer to inspect your home However, if you and your contractor cannot agree with the company's determination, you may have to pay the cost of a mutually agreed upon structural engineer to inspect the house.

If the structural engineer determines that the dwelling is repairable, the insurance company is obligated only for the repairs. If the dwelling is not repairable, the company will adjust your claim in accordance with your policy limits.

Where can I live while my house is being repaired?

If you have purchased a homeowners insurance policy, you will be insured for "Additional Living Expenses" coverage which pays for costs you incur that are in excess of your normal living expenses. For example, if you normally spend $1500 per month for mortgage/rent, utilities, food, and transportation, and these living expenses increase to $2,000 per month, because of the disaster, the insurance company will reimburse you $500. Be sure to save all receipts.

You should also ask your company representative if there are any restrictions on where, and how long you can stay, and how much you are allowed for hotel rooms. If you stay with a relative or friend, the company may reimburse your host for lodging only if you can show proof of actual payment. Extra expenses, such as higher utility bills, incurred by the host would definitely be considered. You can also submit a claim for the cost of storing your personal property until your home is ready for occupancy.

How much will the company pay to repair/rebuild my home?

If you have purchased a **replacement cost** policy, and have met the company's "insurance to value" requirements, there are different ways the company may pay replacement cost. The most usual way is for the insurer to make a partial payment until the property has been repaired. Once the property has been repaired, the insurer will pay the difference, up to the policy limits, between the amount already paid, and the actual cost to repair the building with similar construction.

If you elect not to repair the building, you can submit a claim for the actual cash value of the damaged building. You then have six months from the date of the actual cash value payment or the date of a final judgment, whichever occurs last; to make a replacement cost claim The six months limit only applies when you, not the company, elect to make an actual cash value claim. Be sure to consult your policy about any possible restrictions in moving to a new location versus repairing/rebuilding on-site.

Will my homeowner policy cover the cost of meeting local/state building codes, and ordinances when I repair or rebuild my home?

First check with your agent to determine whether your policy includes a building code endorsement that will pay these expenses. In most cases, however, homeowners policies do not cover the expense of bringing a house up to code or meeting certain ordinances (including flood plan requirements) if the house did not meet these requirements when it was destroyed.

If your policy does not cover these costs, or if you did not buy the additional coverage, check with the federal agencies at the local disaster center to see if you are eligible for any financial assistance.

What about my household contents, and other personal property?

Again, it depends on the type of policy you purchased. Most insurance policies pay the **actual cash value** that is, an amount equal to what the items were actually worth at the time they were damaged or destroyed. For example, it might cost $1000 to replace your sofa at today's prices. If the average useful life of a sofa is 20 years, and your sofa was 10 years old on the day it was destroyed; the company would pay you $500.

If you paid an extra premium for **replacement cost** coverage on your personal contents, the company will first pay you the actual cash value as described above.

Once you have actually replaced the items, and submitted your receipts, the company will then pay you the difference. Using the above example, the company would initially pay you only $500 for your damaged sofa. After you buy the new one for $l000, the company would then reimburse you another $500 – the difference between the actual cash value, and the replacement cost. Some companies also use replacement services that will obtain certain items such as appliances for you.

As you begin replacing damaged items, be sure to keep all receipts. It may be advisable to submit accumulated receipts to the company every two weeks or so, rather than sending them in one at a time. If you elect not to replace the damaged items, you can submit a claim for the actual cash value of those items. You then have six months from the date of the actual cash value payment or the date of a final judgment, whichever occurs last, to make a replacement cost claim. This six months limit only applies when you, not the company, elect to make an actual cash value claim.

Is my company obligated to pay for my antique furniture, and expensive jewelry?

Not necessarily. Most homeowner's policies place specific dollar limits on items such as jewelry, and will only pay the actual cash value of antiques (which may or may not be equal to their appraised prices). You must purchase additional coverage to insure these items in full. If you have not done so, they may not be fully covered on your regular homeowner's policy.

I may have forgotten to include some items in my claim. What should I do?

If you forgot to list some items when making your claim, contact the insurance company. Unless the company has paid the entire limit for the coverage on those items, it is not unusual for the insurance company to make an additional payment. However, it is important that you file an accurate claim in a timely fashion.

The damages to my house will cost a lot more than the insurance policy covers. What can I do?

Check with the federal agencies at the local disaster center to see if you are eligible for a grant or low-interest loan.

How will the company pay me?

Your policy divides your claim into four separate parts – the house itself, other structures on your property, the personal property or contents, and additional living expenses. The check or draft for payment for the contents claim will be made out to you. However, the check or draft for the house and other structures may be payable to you, and your mortgage holder, if there is a mortgage on your home.

Chances are, you received an advance check immediately after the disaster to cover such items as additional living expenses, and clothing. It is important that you keep receipts for all items purchased with this money, because when a claim is finally settled, any amounts previously paid will be deducted from the final check.

Will my homeowner policy pay for flood damage to my home?

Standard homeowner policies do not cover flood damage. However, if you have a flood insurance policy with the National Flood Insurance Program they will assign an adjuster to handle your claim.

If your home is not covered for flood damage, you should check with the federal agencies at the local disaster center to see if you are eligible for federal assistance, including grants or low-interest loans.

Will my homeowner policy pay for earthquake damage to my home?

If you purchased an earthquake coverage endorsement, your company will assign a representative to evaluate your damage. If you do not have earthquake coverage you should check with the federal agencies at the local disaster center to see if you are eligible for financial assistance.

My homeowner policy has a percentage (%) deductible amount for earthquake coverage. How does this work?

Homeowner insurance contracts generally have a stated deductible (for example, $100) for claims such as fire and theft. The deductible for earthquake coverage is a stated percentage (for example 2%) of the amount of insurance you carry for each coverage under the policy.

If, for example, a homeowners policy provides coverage of $100,000 on the dwelling, $50,000 on the contents, and $10,000 on an unattached garage, and the earthquake deductible is 2%, there would be an earthquake deductible of $2,000 on the dwelling, $1,000 on the contents, and $200 on the unattached garage.

Since all insurance contracts are not the same, you should ask your insurance agent to review your policy, and earthquake deductible with you.

I do not have earthquake insurance. Will my homeowner policy pay for other damages that occurred after the earthquake?

If you do not have earthquake insurance, any structural damage that can be directly attributed to the quake would not be covered. Your homeowners insurance will, however, cover a variety of perils. Get in touch with your agent if you have questions regarding coverage.

What about damage to my automobile?

Your car is not covered under your homeowner policy. If you have the appropriate comprehensive or collision coverage's, the company should reimburse you for damage to your car just like any other auto claim. Check with your insurance agent. Personal property in your automobile is covered by your homeowner policy.

What should I do if I have a problem?

(l) Contact your Agent or Company

If you believe your insurance company has improperly cancelled your policy or has refused to pay all or part of a valid claim, you have a right to question, and complain. Sometimes a mistake has been made, and it will be corrected if an inquiry is made. **A complaint by letter is best.** Keep a copy of your letter. **If you decide to complain by telephone,** keep a written record of:

- the date and time of your call

- the name of the person you talked to
- what was said during the call

(2) Seek help from the Arkansas Insurance Department

If you do not receive a prompt, courteous and satisfactory response, you may need to get help to resolve your problem.

The State Insurance Department provides free professional information, and complaint services to all Arkansas residents.

To use these services you can:

- **Call 501-371-2640** if you live in the Little Rock/North Little Rock area.

- **Call 1-800-852-5494,** the **toll-free** Hot–line number if you live outside of the Little Rock/North Little Rock area, or anywhere in the United States.

- **Visit the Department of Insurance**

  Consumer Services Division
  1200 West Third Street, Room 120
  Little Rock, Arkansas 72201-19004

- **Visit the Department's Web site** and complete an electronic complaint form.
  www.insurance.arkansas.gov

The Arkansas Insurance Department will:

☑ Thoroughly investigate your complaint

☑ See that you get a clear response to your questions

☑ Cut through red tape

☑ Correct misunderstandings

But the Department cannot:

☑ Force a favorable action on your complaint if facts and/or law do not support it.

- ☑ Provide legal services that are sometimes required to settle complicated problems.

If CSD is unable to resolve your problem, we will tell you why. If the law and facts are on your side, we will try to see that your rights are protected, and that your complaint is resolved in a satisfactory manner. CSD does not have the authority to decide differences of opinion. Only the courts can ultimately decide those issues. CSD cannot file a lawsuit on your behalf. Contact your local attorney for legal services, advice, and assistance. We do, however, have the EAGLE Mediation Program; a voluntary mediation program designed to assist insurance consumers and insurers with conflict resolution. For more information about the EAGLE Mediation Program, please visit our Web site at **www.insurance.arkansas.gov** and select the "EAGLE Mediation Program" link on our Home page or contact our Legal Division directly at **(501) 371-2820.**

Mission Statement

The primary mission of the State Insurance Department shall be consumer protection through insurer insolvency and market conduct regulation, and fraud prosecution and deterrence.

AFTER AND BEFORE…SEVERE WEATHER TIPS!

AFTER:

1. Locate all family members if you can and check if anyone is injured. Call 911 if needed and render assistance until help arrives.
2. Survey area and become aware of all the potential hazards such as broken glass and downed power lines.
3. Survey all the damage and take pictures if possible.
4. Try not to leave the property unattended.
5. Protect the property from any further loss or damage. (Keep a log of times, dates, and receipts of materials purchased for repairs)
6. Review your policy to be familiar with the benefits that will be due you and the procedures and processes that you will need to follow. Policies are different in scope so discuss any areas that you don't understand with your agent.
7. An adjuster will be assigned to your claim. When he/she comes to your property make sure they show you identification. You do not pay an adjuster. Their salary is paid by the insurance company.

BEFORE IT HAPPENS (AGAIN):

1. Secure homeowners or renters insurance.
2. If you already have homeowner/renters insurance, review your policy (at least once a year) to assure adequate coverage.
3. Prepare a detailed inventory of all your household furnishings. Maintain a photo of each room's furnishings and other valuables and equipment that you may own. Keep this away from your home. Trade photos with a trusted friend.
4. Have a plan of action in case of severe weather.
5. Select a shelter/location for family members to go to.

6. Make a list of important numbers and family/friends to contact. Include your insurance agent/company's phone numbers.

7. Put together a **family emergency kit**. Put all articles in a plastic garbage can as that is portable and can be used later for water storage if needed.

   The emergency kit should include the following:

   Flashlight

   Water bottles – enough for 3 gallons per family member

   Non-electric can opener

   Portable radio

   Fire extinguisher

   First aid kit

   Blankets

   List of the important numbers to call in case of emergency

   Matches and/or lighters

   Ponchos/rain gear

   Disposable camera

   Copies of your insurance policies in a waterproof folder

   Add to the kit <u>only</u> when the emergency is starting:

   Fill the water bottles

   Extra batteries for all equipment

   Essential medication that a family member might need, pets included

   Canned foods (meats, veggies, fruit)

   Pet food (canned and/or sealed bag)

For more information contact:

Arkansas
Insurance Department

Asa Hutchinson
Governor

Allen Kerr
Commissioner

Consumer Services Division
1200 W. Third Street, Little Rock, AR 72201
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