

Earthquake Claim Tips for Homeowners and Businesses

1. NOTIFY YOUR AGENT AND CARRIER PROMPTLY THAT YOU HAVE SUSTAINED DAMAGE AND ARE FILING A CLAIM

Even if you do not carry an “earthquake” policy, or believe your damage may not exceed your deductible, you should notify your agent/broker and carrier in writing that you have sustained a loss and are filing a claim. Coverage for some earthquake related losses may be available under certain sections of your homeowners or business policy.

2. IF THE INSURANCE ADJUSTER TELLS YOU THE DAMAGE DOES NOT EXCEED YOUR DEDUCTIBLE - GET AN INDEPENDENT OPINION

The adjuster sent by your insurance company to inspect your home after a quake may not know how to look for and identify earthquake damage. Do not blindly trust your adjuster, especially if he or she tells you no benefits are owed because the damage did not exceed your deductible. Some companies reward adjusters for paying out as little as possible on claims. Your home is simply too valuable for you to rely on one person’s opinion, especially if that person is not a licensed structural engineer or an experienced contractor. Thousands of Northridge earthquake victims learned this the hard way. Researchers are [developing new technology](#) that will use lasers to assess damage in multi-story buildings more accurately than the current system of relying on individual structural engineers. For businesses, this could lead to great improvements in determining seismic damage more quickly and helping people return to work sooner.

3. REVIEW YOUR POLICY CAREFULLY:

Look closely at your “declarations” page. That is the page that states your name, address, policy number, categories of coverage, dollar limits, endorsements, lender, etc.). Make sure you have the most current, up-to-date copy because that will tell you exactly what your coverages are. The “Endorsements”

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(extras) will be listed and you should read the ones that apply to your policy. Every endorsement has a code number that matches text in the policy. If you are confused, **do not rely** solely on your insurance company or adjuster for answers. Consult with professionals who specialize in advising or representing **insurance consumers**.

THE BASICS:

1. Your policy has categories of coverage and dollar limits for each one. The main categories are “Dwelling”, “Contents”, “Loss of Use,” (sometimes called “Additional Living Expenses”), and “Other (or ‘Appurtenant’) Structures” etc.
2. The dollar limits stated on your Declarations page may be lower than your true limits. Annual inflation factors, “endorsements”, and other additions contained in the policy increase your limits. Typical additions are 5% of your dwelling limit for debris removal and landscaping. Typical endorsements are Extended Replacement Cost coverage and Building Code/Ordinance coverage. Do the math to re-calculate your limits in all applicable categories.
3. The policy language may not provide the coverage you requested at the time you purchased it, and you may find you are under insured. In this situation, you may need professional help from a policyholder attorney or the Department of Insurance to determine whether an agent/broker or the carrier is legally responsible to solve this problem.
4. There are laws and regulations that protect you as an insurance consumer. Those laws are set forth in the California Insurance Code at section 790.03(h), the California Code of Regulations at Title 10, Chapter 5, and judicial decisions.

NOTE: If you have a policy issued through the California Earthquake Authority, (“CEA”), your coverage in most categories may be standardized and quite limited, depending on when your policy was issued and whether you requested any increases to your limits. Complaints regarding your policy or claim should be directed to your servicing carrier, (e.g., State Farm, Farmers, etc), the CEA itself, the Commissioner of Insurance and your Assembly and Senate representative. The California Department of Insurance complaint hotline number is 1(800) 927-HELP.

4. DO NOT GIVE A SWORN STATEMENT OR FINAL “PROOF OF LOSS” FORM TO YOUR INSURER UNTIL YOU ARE SURE YOU UNDERSTAND YOUR RIGHTS, YOUR COVERAGE AND THE FULL EXTENT OF YOUR CLAIM

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Your adjuster may try and rush you into a fast settlement to get brownie points, save money and close your file. He or she may also tell you that damage pre-existed the quake. Don't be railroaded. Documenting a major loss to ensure a full, fair recovery requires work. Before you know the true amount of your insurance claim, you must get estimates from reputable contractors, and inventory all lost or damaged possessions. This takes time. If your home is showing severe cracks, you may have foundation damage. A licensed structural engineer should fully inspect and tell you the scope of necessary repairs. Discuss repair options with a reputable contractor before settling your claim.

Your insurer has the right to take your recorded or sworn statement regarding your claim, and you must cooperate, provided their request is reasonable. Giving such a statement without legal representation, or signing a final proof of loss prematurely may hurt your ability to fully recover the policy benefits you need to repair your home properly.

5. BE AN INFORMED, ASSERTIVE CLAIMANT

Organize all papers related to your claim. A three ring binder with folders is generally the best system. Keep a diary. Record the names, phone numbers, job titles, and supervisor's names of everyone you speak with, and keep detailed notes of all pertinent conversations. Take photos of the damage and keep copies in a safe place.

Communicate with your neighbors, find those insured with your insurance company and meet with them regularly to share information and ideas on securing a fair settlement.

If your adjuster is uncooperative, complain in writing. If you feel your claim is not being handled fairly, contact a qualified attorney or public adjuster who specializes in representing policyholders, or the California Department of Insurance.

6. BE SURE YOU ARE FULLY COMPENSATED FOR YOUR "ADDITIONAL LIVING EXPENSES" OR "LOSS OF USE"

Keep all receipts for meals, lodging, and purchases to replace damage items from the time you must vacate your home until it is fully repaired. Policies vary on how long this coverage lasts and how much you can recover.

NOTE: If you do not purchase extra Additional Living Expense (“ALE”) coverage (above and beyond the state-required minimum of \$1500) your coverage may be grossly inadequate to cover your living expenses during the repair process. Contact [FEMA](#) for assistance, and make sure to write to your elected officials and notify them about all deficiencies in the CEA policy. However, the CEA (as of 2016) now offers up to \$200,000 in ALE coverage.

7. BE EXTREMELY CAUTIOUS ABOUT THE REBUILDING OF YOUR HOME. YOU ARE ENTITLED TO “LIKE KIND AND QUALITY”

Insurance companies may pressure you to accept their contractors’ cut-rate repair estimates or short-cut repair methods. If your insurer tells you foundation cracks can be fixed with epoxy, don’t take their word for it. Check with your local Building Dept. and reputable contractors who have experience repairing earthquake damage. If your insurer tells you the earthquake did not affect the framing of your home, get an engineer’s opinion.

You are entitled to be paid on the basis of “like kind and quality.” If you have “guaranteed” or “extended” replacement cost coverage, you are entitled to have the same quality and style home rebuilt EVEN IF THE COST OF REBUILDING EXCEEDS YOUR POLICY LIMITS.

8. DEMAND THAT YOUR CLAIM BE SETTLED FOR THE AMOUNT OF YOUR OWN CONTRACTOR’S ESTIMATE. YOU DO NOT HAVE TO ACCEPT THE INSURANCE COMPANY’S CONTRACTOR OR ESTIMATES.

- a. Beware of “lowball” estimates from insurance company adjusters and contractors with whom they have relationships.
- b. Beware of out-of-state, inexperienced or unreliable contractors without proper insurance of their own.
- c. If the earthquake made pre-existing damage worse, you’re covered for the necessary repairs.
- d. If your insurance company tells you foundation cracks can be fixed with epoxy injections, get at least one second opinion. Your local building department may not recognize this as an acceptable method of repairing foundation cracks.
- e. Earthquake repairs are expensive. You may have to fight to get the full amount of policy benefits you need and are entitled to.

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- f. Don't be penny wise and pound foolish by refusing to pay experts to advise you on the scope of damage and cost of repairs. They will help you prove your claim.

9. DO NOT SIGN “RELEASES” OR WAIVERS OF ANY KIND WITHOUT PROPER LEGAL ADVICE

Read all documents carefully, including both sides of all checks, to make sure they don't prematurely contain “final” or “release” language.

10. IF YOUR BUSINESS WAS DESTROYED — ALL THE ABOVE APPLY — PLUS, YOU ARE ENTITLED TO COVERAGE FOR BUSINESS INTERRUPTION

But...Beware — business interruption coverage only lasts a specified period of time. Check your policy. Make sure the contractor completes repairs before your business interruption coverage is exhausted.

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