

# Frequently Asked Questions About Property Damage Insurance Claims in Colorado

This Roadmap to Recovery™ publication offers general guidance and answers to common questions people ask after a loss when they are dealing with an insurance company or adjuster. Rules and procedures vary state-to-state and company-to-company. This publication is applicable to residents of the State of Colorado.

United Policyholders strongly recommends reading our publications, [Top Ten Claim Tips](#) and [Speak UP: How To Communicate With Your Insurance Company](#) to get oriented.

## **1) How long will it take before my insurance company settles with me?**

Anywhere from a few months to a few years. The amount of time it takes to settle or resolve your claim varies with each loss. These variables include the coverages and limits in your policy, your insurance company's procedures, the amount and type of damage, the personality of the adjuster(s) assigned to your claim, and the amount of time it takes to prepare and submit your claim with supporting documents and information. Your policy most likely contains deadlines for submitting proof, repairing/replacing and collecting full value.

**Helpful Hint:** Include a requested response deadline whenever you ask a question, communicate information or request action from the insurance company or adjuster. Give the insurer a specific, reasonable amount of time to take action and/or answer your question(s).

## **2) What are the important deadlines?**

Policies vary – some require an executed Proof of Loss be submitted within 60 days after the loss, others require an executed Proof of Loss be submitted within 60 days after the carrier's request.

Another important deadline to be aware of is the date by which a suit must be brought if you and the

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carrier are unable to resolve the claim. Some policies require the action be brought within one year after the date of the loss, others two years. If you have not complied with conditions in the policy before you sue, your lawsuit may be “dismissed” (tossed out).

Also, some policies reflect that replacement cost payments will be made if required rebuild or repairs are completed within 180 days after an Actual Cash Value (“ACV”) payment has been issued. It may not be feasible to complete construction work within 180 days after an ACV payment, and a written request for a waiver of the provision or an extension should be submitted to the carrier as early as possible.

### **3) Who is responsible for clearing the debris from my lot and is that covered under my policy?**

You, as the policyholder, are responsible for clearing the debris from your lot. Policies vary – if you have appropriate coverage, the cost for this work is covered. If your property was damaged or destroyed in a natural disaster, check with your local government officials to see if they’re coordinating a debris removal program.

**Helpful Hint:** One of the more common *additional coverages* in policies is an extra amount of money for debris removal. You have to read the coverage carefully but this could be an amount that is payable above the limits of your basic dwelling coverage.

### **4) Is there anything I need to do before my lot gets cleared?**

Photograph all recognizable items in the debris before they are taken away, particularly items that your insurer removes for cleaning/salvage. Your insurer may bring in a company to clean and store items. Their fees usually get deducted from your insurance benefits for contents.

Disagreements often arise over whether damaged items are salvageable and can be cleaned or whether it makes more sense to replace them. Examine the items your insurer or cleaning company deem salvageable. If you feel they really can’t be cleaned, or that cleaning and storage costs will exceed the cost to replace them, work it out with the adjuster. After these costs get deducted from your contents insurance coverage, you’ll be left with less money to replace destroyed items.

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**Helpful Hint:** It's a good idea to ask the insurance company for written confirmation that they have fully inspected the loss location to their satisfaction and agree that you can move forward with debris removal and clearing the site.

### **5) Will my insurance company make arrangements for temporary housing?**

Your carrier may arrange for temporary housing immediately after a catastrophic loss impacting multiple policyholders for a week or so, but temporary housing on a long-term basis, until your claim is resolved and permanent housing is available, is your responsibility.

### **6) How long will my insurer cover my temporary rent/living expenses?**

The amount of time will be specified in your policy – typically for up to one year; some policies provide coverage for up to two years.

**Helpful Hint:** Unexpected delays are common during repairs and rebuilding. It's useful to have a discussion early on with the insurer/adjuster on what they project your reasonable period for restoration to be, and how much temporary rent commitment you can safely make in light of your ALE limits.

### **7) What if I run out of ALE coverage before my home is rebuilt?**

If you have reason to think this may happen, raise the issue with the insurance company adjuster as early on as possible. After a catastrophic loss to multiple homes in the same area, it is simply not feasible for all the claims to be resolved nor all the homes rebuilt within a one year period and the need to stay in temporary housing continues. If the insurance company does not volunteer to extend your ALE benefits, seek help from the Colorado Division of Insurance and/or a policyholder attorney.

### **8) My insurance company is refusing to pay anything up front for my contractor's overhead and profit. I don't have the cash to advance this item, and he won't get started without it, so I'm stuck.**

Such a position is improper in Colorado and payment, if you did not receive an advance from your carrier, should be included with the carrier's Actual Cash Value payment based upon the rebuild estimate. As

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you continue to document your losses and the tally mounts, the insurance company should continue to release undisputed amounts on your claim. For additional information, see, <http://www.dora.state.co.us/coloradobulletinb-5.01/regs/B-5.1.pdf>.

### **9) How much overhead and profit is standard in Colorado?**

10% overhead and 10% profit is standard in Colorado but can be negotiated upwards on a complex project.

### **10) My insurance company keeps reducing what they're going to pay by "depreciating" items in my claim; what can I do?**

Reducing claim payments by deducting for "depreciation" is something that adjusters routinely do and it is allowed under most policies. Your insurer may deduct for depreciation temporarily as a "hold back" until you complete repairs or replacement. Or, if you do not have replacement cost coverage, your insurer may simply deduct for depreciation and that's that.

A simple way to understand depreciation is to take the cost to replace an item and subtract a percentage of the cost due to the age and condition of the item lost – this will result in what is known as an "Actual Cash Value." Using a 3 year-old high quality flat-screen TV in excellent condition as an example, the cost to replace the TV today may be \$500 – applying 10% depreciation on the purchase and receiving payment from the carrier of \$450 would be appropriate.

**Remember: Depreciation amounts are subjective and negotiable.**

**Helpful Hint:** Some policies do not require the insured to disclose the **date** in which your content items were purchased. Although you have the duty to cooperate, releasing the approximate dates of when you purchased the content may or may not lead to a more favorable rate of depreciation.

### **11) How can I find out what my rights are and what the rules and laws are that apply to insurance claims in my state?**

Visit the Colorado Department of Regulatory Agencies web site, specifically the Division of Insurance

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section at [www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance) for applicable rules, laws, and statutes in your state.

### **12) The contractor-estimates I've received are much higher than the insurance company's estimate. How can I break the logjam and still hire the contractor I trust?**

You are entitled to use a contractor of your choice, as long as they are reputable and their estimate accurately captures the scope and cost of required work. Your insurance company is obligated to make a reasonable settlement offer. Differences in repair/rebuilding estimates are to be negotiated and resolved without unreasonable delay. If your insurer is refusing to make a good faith settlement offer on your loss, you can hire a professional advocate and/or contact the Colorado Division of Insurance for assistance.

Most insurance policies include an "Appraisal" provision that may help you break a logjam over contractor estimates. If your claim appears headed for an insurance appraisal, consult with an experienced attorney before proceeding.

### **13) What is the typical fee for a public adjuster?**

A typical fee in Colorado is 10% of the amount recovered from your insurance carrier. Insurance policies do not cover the cost for public adjuster fees, but expenses associated with other experts or consultants needed to support your claim are typically part of your claim and are covered under the policy.

#### **Partial losses:**

### **14) If my insurer brings in a clean up company, does their entire fee come out of my policy limits, and if so, which category?**

It depends if the home is being cleaned from debris, smoke, water, ashes and the like or if your contents are being cleaned. Expenses associated with this service would be covered by your policy and would be applied to the appropriate coverage limit. However, you are free to choose a restoration company - whether they are recommended by your carrier or not.

**Helpful Hint:** Ask the adjuster for a guarantee that any restoration vendor they recommend will

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guarantee their attempt to clean your contents. If items are not restored to their pre-loss condition or to your satisfaction – you want the vendor to waive charges for those items so you won't have to pay out of your policy proceeds for the item that could not in fact be cleaned.

**15) The company's adjuster says my stuff can be cleaned and doesn't need to be replaced. How do I know if that's true?**

It may well not be true. Seek input from a reputable restoration company or qualified professional. If the loss is related to a fire, the heat, smoke and water damage can be significant if items were not totally consumed in the fire. Smoke odor is difficult to remove and a convenient oversimplification for an adjuster to assert or expect damaged items to be cleaned.

**16) In Colorado, does my insurance company have to restore my property to a “uniform and consistent appearance” if only partially damaged? (Pay for matching?)**

Colorado has no definitive case law on this issue. Read your policy to see if it has restrictions on matching or excludes payment for costs associated with matching damaged portions of real or personal property. Coverage may be provided for “pairs” or “sets.” Get as much proof as you can from your consultant or experts indicating that to fix the “damaged” property and not be worse off than before, you have to match the property. You will also have to show that it is impossible to somehow “patch” the damaged area so it will match. Get experts to back you on the claim and many insurance adjusters will pay.

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