

Experts caution L.A. fire victims to approach insurance claims process as ‘business transaction’

NBC News

As policyholders begin to file loss claims, experts say taking notes and keeping records is key to a smooth process

Southern California residents facing losses from this week’s Los Angeles-area fires are beginning to confront their next challenge: filing an insurance claim.

Though mainstream insurers garnered headlines last year for declining to write any new policies in the state amid growing fire threats, they still retain tens of thousands of pre-existing customers who may have been affected.

And while public claims adjusters — who are privately hired by consumers looking to avoid insurance companies’ adjusters — are warning that it can take years for claims to be resolved, California residents do enjoy some benefits not seen elsewhere.

The primary benefit is that all California property insurers must immediately pay out a minimum of one-third of the estimated value of a policyholder’s personal belongings, as well as a minimum of four months’ worth of rent for the local area in which they live.

Still, insurance industry experts are warning homeowners to expect to negotiate between the carrier, the claims adjuster and contractors for recouping losses and rebuilding — and that the ultimate payout for a home that has been damaged or totaled may be less than what policyholders thought they were getting.

“Think of it like a business transaction,” said Amy Bach, executive director of United Policyholders, a

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group that advocates on behalf of consumers. “Give your insurance company the chance to do the right thing, but don’t be a pushover, and have your eyes open. No one’s going to come in with a magic wand.”

First steps

Most insurance companies now let policyholders file claims online or even via mobile apps.

However, they vary in the amount of documentation required. Experts say the documentation process will be key to recouping losses — and that many companies have become aggressive in determining what ultimately gets covered.

To ensure the maximum payout, experts recommend taking detailed videos and photographs of the damage sustained, as well as compiling receipts for both items lost or damaged as well as purchases made while a policyholder is displaced. Don’t throw anything away until the insurer has signed off on doing so.

“It’s important to be very thorough and get everything accounted for,” said Janet Ruiz, the strategic communications director for the Insurance Information Institute, which represents the insurance industry.

Settling loss claims might also require reconstructing how a home looked before it was damaged or destroyed. Experts thus also recommend creating a photo album that contains images of a home’s interior and exterior.

Policyholders should also take detailed notes of any and all conversations they have throughout the process — names, dates and phone numbers.

Getting paid

While California carriers offer cash advances to get through temporary displacements, the payout amounts are often at depreciated values of the belongings, Ruiz said.

As for payouts on damaged or totaled dwellings themselves, some long-term policyholders may find that while the value of their home had recently been climbing, they had not been paying for the equivalent amount of insurance.

Thus, rebuilding their home back to or beyond its predisaster market value may prove difficult.

On the other hand, some select policies contain what are known as “extended replacement cost” clauses, which allow policyholders to recoup the at-market cost of rebuilding a home.

Still, insurers have become aggressive in rejecting certain claims, especially for partial damage in which smoke, ash and char may have been contributing factors, Bach said.

All affected residents should also apply for Federal Emergency Management Agency and Small Business Administration assistance, though many will not qualify because they exceed income thresholds, Bach said.

If you had no insurance

If an individual recently bought a new home with cash, was kicked off a policy, or simply couldn’t afford insurance, there are still options available.

FEMA has already begun providing temporary assistance options, and the Small Business Administration is now taking applications for loans to homeowners; contrary to its name, the SBA provides assistance even to individuals who did not own businesses.

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