Four Things You Should Know About Your Fire Insurance Claim

CBS News

California's burning, again; the flames north of Los Angeles, also known as the Station Fire, have already killed two people, and are threatening tens of thousands of homes, causing the governor to declare a state of emergency in Los Angeles and Monterey counties.
So of course it's time for a little primer on fire insurance. I know, you may think you understand fire insurance because you know that you'd rather insure your home for its replacement cost rather than its initial cost. But it's so much more complicated than that.
Imagine, for instance, what happens when a group of twenty houses actually burns. They don't get rebuilt as one development, where the builder gets bulk discounts on the windows and the roofing; instead, "anytime there's a fire, the house being rebuilt for the most part has to be considered a custom home, because that's the only one the contractor's doing," insurance industry consultant Jim Haines told the blog law.freeadvice.com.
I really hope this doesn't happen to any of you, but if there's a fire and you do end up paying custom prices to replace your beautiful living room, keep in mind these four tips:
1. Be able to describe your home. Were the walls plaster or drywall? is the example Haines used in his interview). The easiest way to do this is to have photos or even video of your house, plus photos/receipts for your major personal property. If you're currently sitting home safe and secure, take time to make this "housing inventory" — and put it somewhere outside your home, maybe your office or your sister's house,

for safekeeping. If you have just suffered a tragedy, try to describe what your house looked like, in as much detail as possible, as soon as possible after the fact.

2. Negotiate for less depreciation on big-ticket items. A United Policyholders memo written for victims of Arizona wildfires has noted that insurance companies argue, of course, that your sofa and coffee table were old and therefore had depreciated in value. Your strategy as a claimant, the memo argues, should be to check replacement costs at standard not discount) retailers, argue for less depreciation on big-ticket items, and negotiate depreciation on a case-by-case basis. “The furniture in your guest room should be less depreciated than the furniture in your master bedroom because it was used less and was in better shape,” the report notes. Items like antiques, fine art, and light fixtures are “timeless” and don’t depreciate at all.

3. Don’t use an unlicensed contractor. Get someone who is licensed and bonded. You can usually check a contractor’s license through your Department of State — or go to this reference map to see what state agency you need to call to make sure that your contractor is licensed. And, for heavens sake, don’t sign anything without reading it twice.

4. Pay attention to the insurance payout called ALE — “additional living expenses.” This is the category where your insurance company pays for you to rent a new home until your house is built, or to stay in a hotel. If you’re a current homeowner reviewing your insurance policy, you want to make sure you have decent ALE coverage. If you’re filing a claim, “the manner in which the insurer handles the ALE claim for resolution of all claims connected with the loss,” Helen Johnson Alford and Gabrielle Reese Pringle note in an article called “The Insurance Ounce of Prevention” in FDCC Quarterly. In other words, you’ll get a pretty good idea of how hard the company will fight you on the claim when you see how hard they fight you on the rental.