ROADMAP TO RECOVERY Q & A

THREE YEAR ANNIVERSARY
WHAT YOU NEED TO KNOW

October 27, 2021
Sandra Watts- Insurance Specialist
Eric Townsend, Esq. The Law Eagles
Elyse Hicks – Staff Attorney
Sandra Watts

- Insurance Specialist, Roadmap to Recovery Program
- 30+ years experience in Insurance claims and claims management
- Appointed Member, CA DOI Curriculum Board
- IICRC Certified Master Fire & Smoke, Water Restoration Technician & Microbial Remediation
- CPIA - Certified Property Insurance Appraiser & Umpire
Eric Townsend is the owner of The Law Eagles law firm. He handles personal injury, property damage and insurance bad faith claims. He represents victims seriously injured in accidents and policyholders that have been treated unfairly by their insurers. A former Marine, Mr. Townsend has given back to his community in the form of pro-bono work to the Military Pro-Bono Program.

He received a Bachelor's of Science degree from San Diego State University and a J.D. degree from the University Of San Diego School Of Law. Eric served four years in the Marine Corps and worked for Kyocera Wireless Corporation prior to opening his own firm.

Eric has a beautiful wife and two loving children, all of whom he adores. Nothing matters more to Eric than faith, family, friends and his clients.
Elyse Hicks, Esq.

Elyse Hicks joined UP in December 2020 and currently serves as our Staff Counsel. Elyse has a long history of working with policyholders as she followed in her family’s footsteps and became a licensed insurance agent in 11 states right out of college. Since then, Elyse has graduated from Charleston School of Law and Mercer University’s School of Business and is licensed in the District of Columbia.

While working closely with our Executive Director, Amy Bach, and through UP’s Advocacy in Action and Roadmap to Recovery programs, Elyse is able to advocate for policyholders in the legal and legislative arenas and assist those recovering from natural disasters.
About United Policyholders

- 501(c)3 nonprofit organization.
- A voice and an information resource for consumers in all 50 states.
- A 30-year track-record of subject matter expertise in insurance and disaster recovery.
- Not for profit...not for sale.
- Funded by donations and grants.
- A volunteer corps with personal and/or professional expertise in disaster recovery and insurance.
• This workshop is intended to be general guidance only, not legal advice.

• We don’t endorse or warrant any of the sponsors listed at www.uphelp.org or speakers at our workshops.
Get to know CA Insurance Code 2051.5 (2018 Version)

- Almost every one of the questions I get on total losses involves some part of this newly-clarified (Sep. 2018) legislation:
  - Replacement Cost
  - Extended Replacement Coverage
  - Additional Living Expenses
  - Code Upgrade
  - Buy or rebuild?
ALE QUESTIONS

How can I get the third year of rent and mileage?

Can I use a home I owned before the fire as my “replacement home”?

If my home was ready by x date, can I still claim ALE if I needed to find another place?
ALE TIME LIMITS – 2018 Fires

(2) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, coverage for additional living expenses shall be for a period of no less than 24 months from the inception of the loss, but shall be subject to other policy provisions. An insurer shall grant an extension of up to 12 additional months, for a total of 36 months, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work. Additional extensions of six months shall be provided to policyholders for good cause.

Effective September 21, 2018

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Is it Automatic?

• No. The amount you are owed is generally the shortest time required to rebuild, replace or for your household to settle elsewhere.

• In most cases, you will need to show that you were acting with “reasonable diligence” in rebuilding or buying. Keep a diary of your obstacles to show carrier. Write to them about your decision making process on buying v. rebuilding.
“Reasonable” progress?

- What is reasonable?
- What are the issues YOU have encountered?
- Explain specifically what you are doing towards rebuilding or replacing your home
- Be prepared to do this monthly
- How does buying change the situation?

- Try to estimate a timeline and ask for a cash out – It’s a gamble but can provide a set amount
October 27, 2021

**REBUILDING BY THE NUMBERS OVERVIEW**

<table>
<thead>
<tr>
<th>Single Family Homes</th>
<th>Multi-Family Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1,976</strong> - PERMIT APPLICATIONS RECEIVED</td>
<td><strong>376</strong> - PERMIT APPLICATIONS RECEIVED</td>
</tr>
<tr>
<td><strong>1,361</strong> STICK BUILT / <strong>615</strong> MANUFACTURED</td>
<td><strong>351</strong> - PERMIT APPLICATIONS ISSUED</td>
</tr>
<tr>
<td><strong>1,809</strong> - PERMIT APPLICATIONS ISSUED</td>
<td><strong>220</strong> - HOMES REBUILT (CERT OF OCCUPANCY)</td>
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<tr>
<td><strong>1,067</strong> - HOMES REBUILT (CERT OF OCCUPANCY)</td>
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*Each “unit” represents a home for a family in Paradise*

If you are a multi-family housing developer and wish to meet with the Town, please call Kate Anderson, Housing Program Supervisor, at (530) 872-6291 x122, or email kanderson@townofparadise.com.
EXAMPLES

- Difficulty finding/retaining professionals
  - Architects, engineers, contractors
- Cost increases due to increased demand
- Housing Market issues
- COVID - 19

- How long did it take the carrier to pay the Coverage A benefits? This is a delay in the overall process and extends your ALE needs
Documentation is KEY!

• Present your requests clearly
• Make all requests in writing
• Explain what you need, when you need it, and why
• Keep a Claim Diary
  – Take notes on who you talked to, the number you called, date and time, what was said. Keep all of your paperwork organized and together
# KEEP A LOG OF CONTACTS

## PROGRESS TRACKER

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTIVITY</th>
<th>CONTACT PERSON</th>
<th>PHONE NUMBER</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/20/20</td>
<td>Called Realtor in Chico</td>
<td>Realtor Name</td>
<td>(530) 444-4444</td>
<td>Set appointment to tour houses on Saturday</td>
</tr>
<tr>
<td>7/25/20</td>
<td>Toured 2 houses</td>
<td>Name</td>
<td>(530) 444-4444</td>
<td>Addresses of homes toured</td>
</tr>
<tr>
<td>7/28/20</td>
<td>Called Permit Center</td>
<td>Permit Contact</td>
<td>(530) 444-4444</td>
<td>Reviewed permit process and times to approval - approx 21 days</td>
</tr>
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V. Conclusion

Based on the foregoing, effective as of September 21, 2018, in the event of a covered loss relating to a state of emergency declared by the California Governor, as defined in Government Code section 8558, coverage for additional living expenses must be for a period of no less than 24 months from the inception of the loss, but shall be subject to other policy provisions. An insurer is required to grant an extension of up to 12 additional months, for a total of 36 months, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Additional extensions of six months must be provided to policyholders for good cause.

We trust the foregoing is responsive to your request. If, however, you have additional questions or require further information, please contact the undersigned directly.

Very truly yours,

[Signature]

Kenneth B. Schnoll
General Counsel & Deputy Commissioner
FROM: Commissioner Ricardo Lara

DATE: April 3, 2020

RE: Extension of Policyholder Deadlines that Impact Claims or Coverage Due to the current State of Emergency Caused by the Coronavirus (COVID-19) Outbreak

In addition, the Department has received complaints from consumers and local and state officials that certain residential property insurance companies are insisting that insureds (who suffered losses in the November 2018 wildfires) must continue to repair and rebuild their homes during the COVID-19 crisis to obtain full replacement cost and Additional Living Expense (ALE) benefits.

This Notice reminds all insurance companies that new laws that went into effect before the November 2018 wildfires mandate that insurers provide no less than 36 months, plus additional 6 month extensions for “good cause,” for insureds to collect full replacement cost and ALE for delays in the reconstruction process that are the result of circumstances beyond the control of the insured.\textsuperscript{1} Under the referenced chaptered legislation, circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work.

Commissioner Lara and the California Department of Insurance have determined that the current COVID-19 pandemic is a circumstance beyond the control of the insured, thereby constituting “good cause” under the applicable laws.
Buying vs. Rebuilding

The process is almost identical for all the different options (rebuild/buy/codes)

The most important thing: KNOW HOW MUCH IT WOULD COST TO REBUILD THE HOUSE YOU LOST up to the policy limits.

If buying you will also need a CODE BID for the house you lost, NOT the new one!

If you were paid the full policy limits you will most likely not need an estimate
CA INSURANCE CODE - 2051.5

(a) (1) Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or replace the thing lost or injured, without a deduction for physical depreciation, or the policy limit, whichever is less.
What does this mean???

• The amount you are owed is based upon the cost to rebuild the home you LOST, plus code upgrades, up to the policy limit.

• In most cases, you will need an estimate to determine what it would have cost to rebuild your prior home, even if you do not intend to rebuild it.
2051.5

• (2) If the policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer shall pay the actual cash value of the damaged property, as defined in Section 2051, until the damaged property is repaired, rebuilt, or replaced. Once the property is repaired, rebuilt, or replaced, the insurer shall pay the difference between the actual cash value payment made and the full replacement cost reasonably paid to replace the damaged property, up to the limits stated in the policy.
Insurers SHALL grant Extensions

- (ii) In the event of a loss relating to a “state of emergency,” as defined in Section 8558 of the Government Code, a time limit of less than 36 months from the date that the first payment toward the actual cash value is made shall not be placed upon the insured in order to collect the full replacement cost of the loss, subject to the policy limit.
- (iii) This section does not prohibit an insurer from allowing the insured additional time to collect the full replacement cost.
- (B) An insurer shall provide to a policyholder one or more additional extensions of six months for good cause pursuant to clause (i) or (ii) of subparagraph (A) if the insured, acting in good faith and with reasonable diligence, encounters a delay or delays in approval for, or reconstruction of, the home or residence that are beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.
Sample Letter Requesting Extension of Deadlines to Collect Full Policy Benefits - CALIFORNIA DISASTER

NOTE: This sample letter below must be customized to the facts of your individual situation and claim. All portions that are in parentheses and/or underlined must be completed or revised and anything in italics should be removed before you send it.

[Date]
[Name of adjuster or higher-ranking ins. co. employee]
[Name of Insurance Co.]
[Address]

Re:
Claim Number: __________
Date of Loss: __________
Name of Insured: ______________________
Address of Insured Property: ______________________

Dear __________,

We are continuing to do our best to document our loss and cooperate with your company to reach a fair and full settlement. Due to circumstances beyond our control, our rebuild completion has been delayed and we need an extension of time to collect the full replacement costs available under our policy, up to the policy limits.

Please extend our time limit by [_____] months (fill in the amount of time that you think it will reasonably take you to complete repair/replacement) as required by CA Insurance Code Section 2051.5 (2)(B).

[Add in facts that support your request and show that you have moved the rebuild along as fast as possible, yet need additional time. Reference official government documents that explain the delay or support your extension request.]

Thank you in advance for confirming that you’re granting this extension within 14 days from the date of this letter.

Sincerely,
Code Upgrades – 2018 Fires

• 2051.5 (c) In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location.
What’s Included in Code Upgrades?

- As always, read your policy, as the language varies.
- In general, this coverage pays the amount to bring THE HOME YOU LOST up to current building codes, up to available limits.
- This means things that were not there, but will need to be added in order to gain occupancy after rebuilding. i.e. sprinklers, solar, energy efficiency upgrades, etc.
- The cost can be “rolled into” purchase and upgrading of a new house, but the amount is determined by the old house.
- This coverage is usually paid “as incurred” (meaning $ is spent) but insurer has discretion.
- Often, you have to show that the city/county will enforce the codes in order to get payment.
The Land Value Issue

- Some insurers want to deduct an amount for the land under the home you want to buy
- This is an unsettled area of the law
- We recommend pushing back:
  - Ask where it states in policy
  - You are NOT asking for $ for land! Just cost of lost home
  - New home including land is same price as old home excluding land so it’s not a windfall
  - Bill in legislature for future
When you purchased your home, you purchased the structure as well as the land it sits on.

However, homeowner’s insurance only covers the structure, NOT the land.

Let’s say the house that was lost was worth $400,000 and the value of the land is unknown after the loss.
If your home was properly insured, your RCV should be $400,000 for a total loss. If you decide to buy elsewhere, you will likely purchase a home around $400,000.

However, that $400,000 will necessarily include the value of both the house & LAND underneath it. That means that you would be left with a house that is worth less than the $400,000 you received from your insurance policy to replace your previous home! Result: The purchased home is worth less than your previous home because the amount of your insurance proceeds will likely be used to purchase the land under that house as well!
Statute of Limitations

• Time limitation to file a lawsuit against your insurance company, if you believe that you did not receive the full benefits of your policy.

• In the event of a declared disaster, the CA Insurance code extends the time to 24 months.

• However, the time is stopped, or “tolled” during the adjustment of your claim.
Your Carrier Must Give You Notice

No less than 60 days before the statute of limitations expires, your insurer must advise you in writing.

The California Fair Claims Settlement Practices Regulations state that you must be notified of the following provisions concerning suits against the California FAIR Plan.

CONDITIONS

12. Suit Against Us. No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of loss.

If the loss or damage relates to a “state of emergency” as defined in Section 8558 of the Government Code, this time period shall be extended to two years. The two-year period referred to does not include the time we take to investigate your claim. The time from the date of loss August 16, 2020 to the date you reported your claim does count in computing the amount of time that has already expired. The two-year suit limitation period is again running as of the date of this letter.

We have now closed your claim and will conduct no further claims handling activities.
(f) Except where a claim has been settled by payment, every insurer shall provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim. Such notice shall be given to the claimant not less than sixty (60) days prior to the expiration date; except, if notice of claim is first received by the insurer within that sixty days, then notice of the expiration date must be given to the claimant immediately. With respect to a first party claimant in a matter involving an uninsured motorist, this notice shall be given at least thirty (30) days prior to the expiration date; except, if notice of claim is first received by the insurer within that thirty days, then notice of the expiration date must be given to the claimant immediately. This subsection shall not apply to a claimant represented by counsel on the claim matter.
Claim Handling Standards

California Fair Claims Settlement Practices Act

- 15 days to respond to communications
  - Email, letter, phone call

- 40 days to pay or deny claim

- If unable to make decision must send letter
  - What they need to make a decision
  - How long they need to make the decision
  - Send letter every 30 days
Get it in WRITING!

If not, put it in writing, back to them confirming

Keep it professional

Be concise and to the point

Bold or bullet point your requests

Use proper grammar and punctuation

Promptly respond to letters and reasonable requests

Avoid venting frustrations and emotions to your adjuster
24/7 help on the web: www.uphelp.org

- Insurance Claim Help
  - Recovery Blogs:
  - Claim Help Library
  - Guides for overcoming obstacles
  - Links to Government and Professional help
  - Tips from past disaster survivors
  - Sample Letters and Claim Forms
THANK YOU FUNDERS

Center for Disaster Philanthropy

California COMMUNITY Foundation
Thank you!

www.uphelp.org/signup

- To be added to our mailing list for notices of future events and updated guidance
PRIOR ROADMAP TO RECOVERY WEBINARS

Underinsurance:
Remedies for the Underinsured
http://www.uphelp.org/webinar_underinsured

Resolving Reconstruction Pricing Disputes:
Learn how to reconcile your estimates and get your dwelling claim paid!
http://www.uphelp.org/webinar_reconstruction

Maximizing Loss of Use/ALE Coverage
http://www.uphelp.org/webinar_ALE

Buy or Rebuild?
http://www.uphelp.org/webinar_buy_rebuild

FIND THEM ALL AT:
Uphelp.org/Events

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