CA 2021 Wildfires Series

Navigating Your Dwelling Claim and Understanding Scope of Loss

DATE: November 16th, 2021
Virtual Workshop/Webinar #4
www.uphelp.org/2021wildfires
About United Policyholders (UP)

- Reputable, established 501(c)3 not-for-profit charitable organization, Platinum Guide Star rating
- A trusted information resource and respected voice for insurance consumers in all 50 states
- 30-year track record and expertise in disaster recovery
- Not for profit...not for sale
- Funded by donations and grants
Team UP

• Professional staff
• Government and nonprofit partners
• Volunteers
  o Survivor to Survivor - previous catastrophic loss survivors paying it forward
  o Consumer oriented professionals
    • Damage and repair/rebuild cost estimators
    • Lawyers
    • Public Adjusters
    • Tax and Financial Planning experts
    • Construction and Real Estate professionals
Our Three Programs

Roadmap to Recovery™
  – Guidance on insurance, restoring assets and getting back home after a catastrophic loss

Roadmap to Preparedness
  – Helping households and communities reduce risk and be resilient to disasters and adversity

Advocacy and Action
  – Enforcing insurance consumer rights and protections
Amy Bach

- A professional insurance consumer advocate since 1984
- Published author, trial and regulatory attorney
- Co-founder, United Policyholders
- Official consumer representative:
  - National Association of Insurance Commissioners
  - Federal Advisory Committee on Insurance (US Treasury)
  - American Bar Association Standing Committee on Disaster Response
Bob Hunnes, PE, LEED AP

- 2020 East Troublesome Fire survivor (Colorado)
- East Troublesome Fire Recovery Liaison, Grand County Builders Association
- Retired construction engineer
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 & Microbial Remediation Technician
- CPIA - Certified Property Insurance Appraiser & Umpire

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The Fine Print

• 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.

• Our speakers are volunteering their time as educators.
Roadmap to Recovery Timeline of self-help publications

Links to pro-consumer Professional help: www.uphelp.org/findhelp

Sample Letters & Claim Forms www.uphelp.org/samples

“Survivor’s Speak” Tips from past disasters www.uphelp.org/SurvivorsSpeak

Upcoming workshops and resources www.uphelp.org/2021wildfires

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Today’s Topics

– How the insurance process generally works

– Calculating benefits available in your policy to replace your dwelling

– Calculating the “as was” cost to replace the home you had

– Options for replacing a destroyed home

– Collecting what your insurer owes

– A “Scope of Loss” that accurately documents your full loss and related costs
Our Journey of Recovery
The Reimus Family
2003 Cedar Fire—San Diego, CA

October 26, 2003
Last picture of our house standing...as the Cedar Fire crests the hill behind our home.

October 28, 2003
We’re finally allowed back into our neighborhood to survey the damage.

Early December, 2003
Debris removal from our lot.

April 2004
We’ve hired a builder to reconstruct our home.

August 2004
Foundation being poured on our new home.

September 2004
Sticks in the air! Framing begins.

December 2004
It’s starting to look like a house.

March 2005

July 2005
Our rebuild home is complete!

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Computers don’t repair or rebuild homes

• Be wary of an adjuster trying to rush you into a quick settlement based on a computer-generated estimate. The check they are offering MAY seem like a lot of money, but may be far below what you are entitled to.

• Rare to replace w/an identical home, but that hypothetical cost is generally what you’re owed

• Rebuilding vs. Buying a replacement home: Consider the option to buy a replacement home vs. undertaking a major construction project
Time is on your side: Statistics show…

- The longer a claim stays open the more money the insurer pays
- Ask for advances and extensions when needed
- Fully and accurately documenting and valuing major losses takes time
Give your insurance company a chance to do the right thing, BUT, Don’t Be a Pushover
Knowledge Equals Power AND...

The more you understand about your insurance benefits, your rights and the value of your losses, the more benefits you will recover to rebuild your home and life and the smoother your claim will go...
Speak “UP”

• Present your requests clearly and in writing
• Explain what you need, when you need it, and why you are entitled to it
• Keep a Claim Journal
  – 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
• Use your “working copy” of the policy
  – “Can you show me where it says that in my policy?”
A Paper Trail Is Essential

- Continuity when adjusters rotate out
- Tracks problems and progress
- Confirms you are cooperating
- Points out specific things they have/haven’t done that are holding up resolution of your claim
- Reminds them about your stress and challenges as a disaster survivor
- Gives them reasonable, specific time frames to reply/comply
- Reminds them of the laws that compel their cooperation
Best Practices

- 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
Calculating benefits available in your policy to replace your dwelling
Your home insurance policy:

• You need the “Declarations Page” and the entire contract, including ALL:
  – Endorsements
  – Riders
• Make a working copy that you can write notes and questions on.
• Use UP Sample letter for requesting policy,
• Watch “How to Read Your Insurance Policy” video at uphelp.org/2021wildfires (First Steps)
Policy benefits to replace your dwelling:

– Dwelling

– Other Structures

– Extended Replacement? (commonly 25%, 50% or 100%)

– Debris Removal - usually 5% PER coverage

– Code Upgrade Coverage (Ordinance & Law)

– Inflation Coverage

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Coverage A: Dwelling Coverage

- This is the “big ticket” item in your policy.

- Do the math to know your limits
  - Your Coverage A limits for main dwelling
  - Do you have “extended replacement”? (commonly 25%, 50% or 100%)
  - Debris Removal – Usually 5% PER coverage
  - Code Upgrade Coverage (Ordinance & Law)
  - Trees, Shrubs and Plants – Usually 5%
Base limits plus endorsements plus policy wording = your max available benefits

<table>
<thead>
<tr>
<th>A Dwelling</th>
<th>B Other Structures</th>
<th>C Personal Property</th>
<th>D Loss of Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,200</td>
<td>$30,100</td>
<td>$225,200</td>
<td>$120,100</td>
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Section I Only:

This policy does not provide Earthquake Insurance.
This policy does not provide Flood Insurance.

Limited Home Replacement Cost Endorsement - 150% of Cov A (HO-28).
Replacement Value Endorsement Personal Property (HO-29).
$1000 deductible (HO-60).
Workers' Compensation & Employers' Liability - CA (HO-90).
Private Residence Employees - Class 0910.
Combining Coverages (CA only)

- Allows RC amounts due for Other Structures to be used to rebuild the Primary Structure without requiring actual replacement of the Other Structures

  “In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, an insured under a residential property insurance policy shall be permitted to combine payments for claims for losses up to the policy limits for the primary dwelling and other structures, for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the policy limits for coverage to rebuild or replace the primary dwelling are insufficient. Any claims payments for losses pursuant to this subdivision for which replacement cost coverage is applicable shall be for the full replacement value of the loss without requiring actual replacement of the other structures or contents. Claims payments for other structures in excess of the amount applied towards the necessary cost to rebuild or replace the damaged or destroyed dwelling shall be paid according to the terms of the policy.”

  *Cal Ins Code 10103.7*
Which kind do YOU have?

NOTICE TO CONSUMERS - CALIFORNIA RESIDENTIAL INSURANCE DISCLOSURE

This disclosure is required by Section 10102 of the California Insurance Code. This form provides general information related to residential property insurance and is not part of your residential property insurance policy. Only the specific provisions of your policy will determine whether a particular loss is covered and the amount payable. The information provided does not preempt existing California law.

PRIMARY FORMS OF RESIDENTIAL DWELLING COVERAGE

You have purchased the coverage(s) checked below. NOTE: Actual Cash Value Coverage is the most limited level of coverage listed. Guaranteed Replacement Cost is the broadest level of coverage.

☐ ACTUAL CASH VALUE COVERAGE pays the costs to repair the damaged dwelling minus a deduction for physical depreciation. If the dwelling is completely destroyed, this coverage pays the fair market value of the dwelling at time of loss. In either case, coverage only pays for costs up to the limits specified in your policy.

☐ REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling, without a deduction for physical depreciation. Many policies pay only the dwelling’s actual cash value until the insured has actually begun or completed repairs or reconstruction on the dwelling. Coverage only pays for replacement costs up to the limits specified in your policy.

☒ EXTENDED REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling without a deduction for physical depreciation. Many policies pay only the dwelling’s actual cash value until the insured has actually begun or completed repairs or reconstruction on the dwelling. Extended Replacement Cost provides additional coverage above the dwelling limits up to a stated percentage or specific dollar amount. See your policy for the additional coverage that applies. Not available for Manufactured Home policies.

☐ GUARANTEED REPLACEMENT COST COVERAGE covers the full cost to repair or replace the damaged or destroyed dwelling for a covered peril regardless of the dwelling limits shown on the policy declarations page. Not available through State Farm.

☒ BUILDING CODE UPGRADE COVERAGE, also called Ordinance and Law coverage, is an important option that covers additional costs to repair or replace a dwelling to comply with the building codes and zoning laws in effect at the time of loss or rebuilding. These costs may otherwise be excluded by your policy. Meeting current building code requirements can add significant costs to rebuilding your home. Refer to your policy or endorsement for the specific coverage provided and coverage limits that apply. Not available for Manufactured Home policies.
Extended Replacement Coverage

• Most HO policies sold today have “extended replacement” provisions.
• These provide additional funds to replace your home when your Coverage A limits are inadequate to repair/replace your dwelling.
• Most language is included in the Loss Settlement section, or added by Endorsement.
• The naming varies, look for “extended” “replacement”.
• Limits vary from 10% to 200%.
• Most policies apply the extended benefits only to Coverage A.
• Some policies apply ERC to A, B and C.
(2) **Extended Dwelling Coverage Amount.** We will settle covered losses to the dwelling under Coverage A up to an additional 50% of the limit of liability shown in the Declarations for Coverage A. You agree to:

(a) insure the dwelling to 100% of its estimated *replacement cost* as agreed by us;

(b) make yearly adjustments of Coverage A reflecting changes in the cost of construction for the area;

(c) notify us of any addition or other remodeling which increases the *replacement cost* of the dwelling $5,000 or more;
   
   i. within 90 days of the start of the construction; or
   
   ii. before the end of the current policy period,

   whichever is longer and pay any resulting additional premium; and

(d) repair or replace the damaged dwelling.

If you fail to comply with any of the above provisions, the limit of liability shown in the Declarations for Coverage A shall apply.

In the event of a covered loss resulting from an Insurance Services Offices® declared catastrophe for the state in which the *residence premises* is located, the limit for Extended Dwelling Coverage shall be up to twice the percentage shown for Extended Dwelling Coverage on the Declarations.
ERC Examples

Option ID - Increased Dwelling Limit. We will settle losses to damaged building structures covered under COVERAGE A - DWELLING according to the SECTION I - LOSS SETTLEMENT provision shown in the Declarations.

If the amount you actually and necessarily spend to repair or replace damaged building structures exceeds the applicable limit of liability shown in the Declarations, we will pay the additional amounts not to exceed:

1. the Option ID limit of liability shown in the Declarations to repair or replace the Dwelling; or

2. 10% of the Option ID limit of liability to repair or replace building structures covered under COVERAGE A - DWELLING, Dwelling Extension.

Loss Settlement Provision (See Policy)
A1 Replacement Cost - Similar Construction
B1 Limited Replacement Cost - Coverage B

Forms, Options, & Endorsements
Homeowners Policy
Homeowners Policy Endorsement
Amendatory Endorsement
Jewelry and Furs $1,500 Each Article/$2,500 Aggregate
Firearms $2,500 Each Article/$5,000 Aggregate
Increase Dwg Up to $ 93,900
Ordinance/Law 25%/$ 117,375

HO-28 (Ed. 01-05)
LIMITED HOME REPLACEMENT COST ENDORSEMENT

In exchange for your agreement to insure the dwelling and other building structures shown in the Declarations in accordance with the following provisions and to pay the applicable premium we agree that the limit of liability under Coverage A – Dwelling and Coverage B – Other Structures is increased to 150% of the respective amounts shown in the Declarations if:

1. the dwelling and other building structures shown in the Declarations have been insured at the time this endorsement was added to the policy to 100% of their replacement cost as determined by us; and

2. each annual adjustment to the limits of liability resulting from the Adjustments to Coverage Limits provisions of Section I – Coverages, conditions has been accepted by you; and

3. you notify us within 90 days of the start of any additions or other physical changes which increase the value of such dwelling or other building structures on the residence premises by $5,000 or more.

Coverage is limited to the amount reasonably necessary to repair or replace the dwelling and other building structures, but does not include any costs required to replace, rebuild, stabilize or otherwise restore or protect the land.

Special Exclusion. The coverage provided by this endorsement shall not apply to any loss caused by an earthquake.

This endorsement supersedes Section I – Conditions, 3.b (1), (2) and (3).
Code Upgrade Coverage

- Most HO Policies, but not all have some (usually 10%) coverage for CODE UPGRADES.
- Some add it as an extra limit, some do not.
- You can purchase more (20%-50% or more) – more important for an older home that has not been updated.
- Pays for upgrades to your home that you are required to add, based upon a building ordinance or law, to bring THE HOME YOU LOST up to current codes.
- Check endorsements, as policy is often modified.
- In CA – Insurance Code 2051.5 allows you to use this amount to rebuild elsewhere or buy a replacement home, even if the policy says otherwise.
Option OL - Building Ordinance or Law.

1. Coverage Provided.
   The total limit of insurance provided by this Building Ordinance or Law provision will not exceed an amount equal to the Option OL1 percentage shown in the Declarations of the Coverage A limit shown in the Declarations at the time of the loss, as adjusted by the inflation coverage provisions of the policy. This is an additional amount of insurance and applies only to the dwelling.

2. Damaged Portions of Dwelling.
   When the dwelling covered under COVERAGE A - DWELLING is damaged by a Loss Insured we will pay for the increased cost to repair or rebuild the physically damaged portion of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law if the enforcement is directly caused by the same Loss Insured and the requirement is in effect at the time the Loss Insured occurs.

   When the dwelling covered under COVERAGE A - DWELLING is damaged by a Loss Insured we will also pay for:
ADDITIONAL PROPERTY COVERAGES

Item 7. Building Ordinance or Law Coverage is deleted and replaced by the following:

7. Building Ordinance or Law Coverage. Damage to building or personal property we cover caused by a Building or Personal Property Loss We Cover will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of this property.

This coverage does not apply:

a. to loss caused by the peril of earthquake;

b. to loss to any undamaged portion of the building or personal property we cover;

c. unless you choose to repair or rebuild your home at its present location.

We do not cover:

a. the loss in value to any covered building or other structure due to the requirements of any ordinance or law; or

b. the costs to comply with any ordinance which requires any insured or other to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

This is not an additional amount of insurance.

SPECIAL LIMIT OF LIABILITY

In the event of a covered loss resulting from an Insurance Services Offices® declared catastrophe for the state in which the residence premises is located, the limit available for Building Ordinance or Law Coverage shall be increased by 100%.
Do you have ERC & Code Upgrade?

Yes

MAYBE

NO IDEA?!
Coverage B: Other Structures

Structures on your property that are not physically attached to the house; detached garage, retaining wall, fencing, gazebo…

This policy includes $30,100 for other structures.

<table>
<thead>
<tr>
<th>Section I</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$300,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>$30,100</td>
<td></td>
<td>$225,200</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
<td></td>
<td>$120,100</td>
</tr>
</tbody>
</table>
Coverage B - Other Structures

• Also called “Dwelling Extension”
• Usually limited to 10% of Coverage A limit
• Some companies let you increase this $
• What qualifies varies quite a bit by company
• Some items that are “other structures” under one policy, might be landscaping under another policy
Remember the definitions? Here’s when you need them! (Farmer’s Smart HO)
Calculating the "as was" cost to replace the home you had
Establishing a home’s ‘as was” replacement cost

• Locate “as was” building plans and any other proof, photos, documents, public records
• Xactimate versus Estimate based on sub bids
• Construction components
  – Hardwood floors, tile, stone, carpet, etc.
  – Identify any custom components
  – Type and approximate size of windows & doors
  – Construction materials (roof, frame, exterior, etc.)
• Condition AND age matter for RC versus ACV
Documentation to describe your pre-loss condition

• Building plans
• Photos (interior and exterior)
• Oral descriptions (interior and exterior)
• Google Earth (Timeline, Street View and 3D)
• DraftTech
• Zillow, other realty websites
Ideally, get two independent estimates from licensed, reputable contractors.

- Work toward a settlement with your insurance company that is based on the independent estimates.
FOCUS ON THE COST TO REPLACE THE HOME YOU LOST.

• Problems often arise if you try to negotiate a settlement on the new home you want to build instead of the one you had.
  – The insurance company may balk if the proposed new home contains greater square footage and/or different features than the destroyed home.

• Aim to agree on the cost of replacing what you had, and accordingly, how much the insurance company is obligated to pay even if you are building something different.
Scope Of Loss

<table>
<thead>
<tr>
<th>Description</th>
<th>QTY</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skylight - reflective tube - 13&quot;</td>
<td>1.00</td>
<td>625.15</td>
<td>625.15</td>
</tr>
<tr>
<td>Skylight flashing kit - dome</td>
<td>1.00</td>
<td>107.15</td>
<td>107.15</td>
</tr>
<tr>
<td>Wood window - picture (fixed), 12-24 sf, High grade</td>
<td>1.00</td>
<td>715.10</td>
<td>715.10</td>
</tr>
<tr>
<td>Wood window - double hung, 13-19 sf, High grade</td>
<td>4.00</td>
<td>761.77</td>
<td>3,047.08</td>
</tr>
<tr>
<td>All LR windows were double hung, with stain grade grid and were double paneled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add on for grid (double or triple glazed windows)</td>
<td>76.00</td>
<td>2.35</td>
<td>178.60</td>
</tr>
<tr>
<td>Add on for &quot;Low E&quot; glass</td>
<td>76.00</td>
<td>1.71</td>
<td>129.96</td>
</tr>
<tr>
<td>Stain &amp; finish wood window (per side) - Large</td>
<td>2.00</td>
<td>66.71</td>
<td>133.42</td>
</tr>
<tr>
<td>Stain &amp; finish wood window (per side)</td>
<td>8.00</td>
<td>69.82</td>
<td>558.56</td>
</tr>
<tr>
<td>Exterior window flashing</td>
<td>58.00</td>
<td>2.72</td>
<td>157.76</td>
</tr>
<tr>
<td>Caulking - acrylic</td>
<td>58.00</td>
<td>1.75</td>
<td>101.50</td>
</tr>
<tr>
<td>Pocket door unit - panel</td>
<td>2.00</td>
<td>341.36</td>
<td>682.72</td>
</tr>
</tbody>
</table>

Stain grade, panelled pocket doors to the Kitchen and the Hall. Doors were solid core, not hollow.

1. Exterior door - solid mahogany - panelled | 1.00| 1,128.48   | 1,128.48 |
2. Solid core exterior, panelled front door that was stained and had a window lite. The door also had a side lite.
3. Door lockset & deadbolt - exterior - High grade | 1.00| 123.69     | 123.69 |
4. Door threshold, wood                   | 1.00| 13.92      | 13.92 |
5. Door hinges (set of 3)                 | 1.00| 40.74      | 40.74 |
6. Door stop - wall or floor mounted      | 1.00| 13.95      | 13.95 |

Bernard-Sample-Scope

2/22/2018  Page: 3
Recreating AS WAS = what you’re entitled to (up to your policy limits)

- Insurance adjusters mostly use Xactimate to calculate your loss and offer a settlement.

- You may already have gotten a check for your dwelling claim (RC minus depreciation or ACV)

- Think of this check as your starting point
Xactimate vs. Reality

- Real life builders don’t use Xactimate, they use sub bids
- Hard to compare unit pricing (Xactware) with project-based pricing
Options for replacing your home
An insured is entitled to use full replacement cost benefits, including **building code upgrade coverage**, and any **extended replacement cost** coverage that would be owed to rebuild the **destroyed structure**, to:

- Rebuild the home at the current location as was,
- Rebuild a different home at the current location,
- Rebuild at a new location, or
- Purchase an already built home at a new location.

*Cal Ins Code 2051.5(c)*
If you want to buy or rebuild elsewhere…

- You can decide not to build at the same place after a total loss and still recover RCV (Cal. Ins. Code 2051.5)

- Code upgrade coverage and extended benefits should be available for buying a replacement home if they would have been available for rebuilding at the original location
  - See. [http://uphelp.org/pubs/buy-or-rebuild](http://uphelp.org/pubs/buy-or-rebuild) [Note: purchase of a replacement home cuts off ALE benefit entitlement]
(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.
A good place to start:

• How much insurance do you have?
• Is it enough to replace the home you had?
• Do you WANT to replace the home you had?
• If you’re underinsured, what are your options?
  – Build smaller/cheaper/creatively
  – Buy instead of rebuild
  – Loans, savings
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.

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Replacing by buying

- [https://www.uphelp.org/pubs/buy-or-rebuild](https://www.uphelp.org/pubs/buy-or-rebuild)

- All dwelling coverages should be available toward purchase including code upgrade, extended coverage, other structures

- Newish CA law often misunderstood by company adjusters
Your rights when buying a replacement home

• You can replace your home by buying elsewhere without leaving insurance money on the table (Cal. Ins. Code 2051.5)

• The measure of what you’re owed should include all costs that would have been incurred if you’d replaced the destroyed dwelling with one of the same size and features, including upgrades that would have been required to comply with current building codes and coverage for “Other Structures.” If those costs would have exceeded your stated dwelling limit and qualified you for extended benefits, those are included in the funds available toward the purchase.
No land value deductions (CA)

…the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location shall be the amount that would be have been recoverable had the insured dwelling been rebuilt at its original location and a deduction for the value of land at the new location shall not be permitted… Cal. Ins. Code 2051.5(c)(2)
Replacement cost to rebuild vs. Price of replacement home you want to buy

– Present your insurer with one or more estimates for what it would cost to rebuild

– Reach an agreement with your insurer on that cost

– After you have reached an agreement with the insurer as to the amount it would have cost to build the home that was destroyed, find a home that costs at least as much as it would have cost to rebuild as was.

– Present the real estate documentation to your insurer.
Collecting what your insurer owes
The flow of insurance funds

**Advances**

ACV payments when values are set

**RCV payments upon proof of expenditures, replacement, repairs completed**
Replacement Cost v. Actual Cash Value

Cost to put my home back together with new building material

Value of my home an instant before the loss (What you are owed until you repair, rebuild, or replace)

Deduction in value of materials due to wear and tear

ACTUAL CASH VALUE

Depreciation
Example – Actual Cash Value

C. Loss Settlement

Covered property losses are settled as follows:

1. Property of the following types:
   a. Personal property;
   b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings; and
   c. Structures that are not buildings; and
   d. Grave markers, including mausoleums;

   at "actual cash value" at the time of loss but not more than the amount required to repair or replace.

If you see this, LOOK for an endorsement that adds replacement cost back in! Certain policies are only ACV, especially manufactured home policies.
5. **How We Settle Covered Loss.**

Covered accidental direct physical loss or damage will be settled as follows.

a. Coverage A (Dwelling) and Coverage B (Separate Structures). We will only settle covered loss or damage on the basis of use as a private residence.

   (1) Settlement for covered loss or damage to a specific component part(s) of the dwelling or separate structures, except for roof materials and fences, will be settled at reasonable and necessary replacement cost, without deduction for depreciation, for the lesser of the costs to repair or to replace the specifically damaged component part(s), but for no more than the lesser of the following:

   i. the applicable stated limit or other limit of insurance in this policy that applies to the damaged or destroyed dwelling or separate structure(s);

   ii. the reasonable repair or replacement cost of that specific component part(s) damaged for equivalent construction with materials of like kind and quality on the residence premises, determined as of the time of loss or damage;

   iii. the reasonable and necessary amount actually spent to repair or replace the specifically damaged component part(s) of the dwelling or separate structure(s); or

   iv. the loss to the interest of the insured in the property.

When the cost to repair or replace damaged property is more than $2,500, we will pay no more than the actual cash value of the damaged specific component part(s) of property until actual repair or replacement is completed. If the damage to the dwelling should be a total loss, then the actual cash value payment will be no less than the lesser of the stated limit or the fair market value of the dwelling until actual repair or replacement of the dwelling is completed.

If the dwelling or a separate structure is rebuilt or replaced at a different location, the costs described in subsection ii. above are limited to the costs which would have been incurred if the dwelling or separate structure had been rebuilt or replaced at its location on the residence premises.
First Check = Starting Point

You may already have gotten a check for your dwelling claim.

Think of this check as your starting point.

You are entitled to the cost to repair/rebuild your home as it was before the fire - up to your policy limits - plus any additional coverages such as Extended Replacement & Code Upgrades.
Dwelling Claim Process

• Often, the dwelling claim settlement process will begin with the insurer preparing a **scope of loss** on your destroyed property – most likely in Xactimate.

• A scope of loss details the **materials, quantities, and range of work needed** to repair/rebuild what you had prior to the fire.

• A scope of loss is different from an **estimate, or bid**, which adds in prices for each line item.
The Initial Estimate

Pages and pages of items and numbers

Hard to understand

Where do you start?

You might have a contractor’s bid with a big gap between the two

Have you reached an impasse?

What do you do?
A “Scope of Loss” that accurately documents your full loss and related costs
Compare “apples to apples”

In order to determine the proper cost to replace your home you will need to “reconcile” the insurance company estimate and your contractor’s estimate.

BUT real life builders don’t usually use Xactimate, they use subcontractor bids.

So, how do you compare or reconcile them?

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Start with the Scope

Your goal is to “fix” the adjuster’s estimate to accurately reflect what you lost

DON’T worry about the numbers, at the beginning

First focus on the details

This is THE MOST IMPORTANT thing!
It is very important to provide your adjuster with as many pre-loss details as possible:

- Sizes and shapes: How many rooms, what kind of finishes, what kind of windows, etc.

- Use whatever information you can get your hands on to recreate detailed descriptions of what your property (interior and exterior) was like before the loss.

- Don’t exaggerate or “pad”
Documentation to describe your pre-loss condition

• Building plans
• Photos (interior and exterior)
• Verbal descriptions (interior and exterior)
• Google Earth (Timeline, Street View and 3D)
• Eagle View - 3D aerial roof and wall measurements
• DraftTech
• Zillow, other realty websites
Describe dwelling in detail (ignore contents):

- Ceilings (materials, soffits, beams, panels, vaults, coffered, domed, etc.—don’t worry about terminology)
- Special conditions (rounded corners, arches, alcoves, etc.)
- Cabinets, countertops, built-ins, closets, etc.
- Doors, trim, baseboards, mantels, ornamentals
- Drywall, texture, paint and flooring materials
- Lighting, windows, switches, window coverings
- Attached appliances and special items
# Scope Of Loss

<table>
<thead>
<tr>
<th>Description</th>
<th>QTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>308.48 SF Walls</td>
<td></td>
</tr>
<tr>
<td>362.32 SF Walls &amp; Ceiling</td>
<td></td>
</tr>
<tr>
<td>5.98 SY Flooring</td>
<td></td>
</tr>
<tr>
<td>29.38 LF Ceiling Perimeter</td>
<td></td>
</tr>
<tr>
<td>53.84 SF Ceiling</td>
<td></td>
</tr>
<tr>
<td>53.84 SF Floor</td>
<td></td>
</tr>
<tr>
<td>29.38 LF Floor Perimeter</td>
<td></td>
</tr>
</tbody>
</table>

**DESCRIPTION**

41. R&R Underlayment - 1/2" particle board                        | 53.84 SF |
42. Floor preparation for resilient flooring                      | 53.84 SF |
43. Vinyl plank flooring - Premium grade                          | 53.84 SF |
44. Kardeen vinyl flooring                                        | 53.84 SF |
45. Add for glued down application over wood substrate            | 53.84 SF |
46. R&R Baseboard - 8" hardwood - 2 piece                         | 29.38 LF |
47. R&R Shelving - full height unit - Standard grade              | 11.00 LF |
48. Drywall patch / small repair, ready for paint                 | 1.00 EA  |
49. Texture drywall - smooth / skim coat                          | 308.48 SF|
50. Interior door, 8' - Detach & reset                            | 1.00 EA  |
51. Mask and prep for paint - paper and tape (per LF)             | 29.38 LF |
52. Seal & paint baseboard, oversized - two coats                 | 29.38 LF |
53. Paint casing - oversized - one coat                           | 16.00 LF |
# Make Corrections!

## Pantry

- 308.48 SF Walls
- 362.32 SF Walls & Ceiling
- 5.98 SY Flooring
- 29.38 LF Ceiling Perimeter

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>QTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>41. R&amp;R Underlayment - 1/2&quot; particle board</td>
<td>53.84 SF</td>
</tr>
<tr>
<td>42. Floor preparation for resilient flooring</td>
<td>53.84 SF</td>
</tr>
<tr>
<td>43. Vinyl plank flooring - Premium grade</td>
<td>53.84 SF</td>
</tr>
<tr>
<td>Kardeen vinyl flooring</td>
<td></td>
</tr>
<tr>
<td>44. Add for glued down application over wood substrate</td>
<td>53.84 SF</td>
</tr>
<tr>
<td>45. R&amp;R Baseboard - 8&quot; hardwood - 2 piece</td>
<td>29.38 LF</td>
</tr>
<tr>
<td>46. R&amp;R Shelving - full height unit - Standard grade</td>
<td>11.00 LF</td>
</tr>
<tr>
<td>47. Drywall patch / small repair, ready for paint</td>
<td>1.00 EA</td>
</tr>
<tr>
<td>48. Texture drywall - smooth / skim coat</td>
<td>308.48 SF</td>
</tr>
<tr>
<td>49. Interior door, 8' - Detach &amp; reset</td>
<td>1.00 EA</td>
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<tr>
<td>50. Mask and prep for paint - paper and tape (per LF)</td>
<td>29.38 LF</td>
</tr>
<tr>
<td>51. Seal &amp; paint baseboard, oversized - two coats</td>
<td>29.38 LF</td>
</tr>
<tr>
<td>52. Paint casing - oversized - one coat</td>
<td>16.00 LF</td>
</tr>
</tbody>
</table>

- **Height:** 10' 6"
# Estimate

### Pantry

- **308.48 SF Walls**
- **362.32 SF Walls & Ceiling**
- **5.98 SY Flooring**
- **29.38 LF Ceiling Perimeter**

### Height: 10' 6"

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>QTY</th>
<th>REMOVE</th>
<th>REPLACE</th>
<th>TAX</th>
<th>O&amp;P</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>41. R&amp;R Underlayment - 1/2&quot; particle board</td>
<td>53.84 SF</td>
<td>0.76</td>
<td>1.79</td>
<td>2.98</td>
<td>28.06</td>
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<td>42. Floor preparation for resilient flooring</td>
<td>53.84 SF</td>
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<td>0.87</td>
<td>0.46</td>
<td>9.46</td>
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<td>43. Vinyl plank flooring - Premium grade Kardeen vinyl flooring</td>
<td>53.84 SF</td>
<td>0.00</td>
<td>12.50</td>
<td>22.38</td>
<td>139.08</td>
<td>834.46</td>
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<tr>
<td>44. Add for glued down application over wood substrate</td>
<td>53.84 SF</td>
<td>0.00</td>
<td>0.39</td>
<td>0.73</td>
<td>4.34</td>
<td>26.07</td>
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<tr>
<td>45. R&amp;R Baseboard - 8&quot; hardwood - 2 piece</td>
<td>29.38 LF</td>
<td>0.68</td>
<td>12.50</td>
<td>17.11</td>
<td>80.88</td>
<td>485.22</td>
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### Trade Summary

#### Recap by Category

<table>
<thead>
<tr>
<th>O&amp;P Items</th>
<th>Total</th>
<th>%</th>
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<tbody>
<tr>
<td>APPLIANCES</td>
<td>2,009.20</td>
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<tr>
<td>CABINETRY</td>
<td>33,015.15</td>
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<tr>
<td>CLEANING</td>
<td>3,179.86</td>
<td>1.35%</td>
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<tr>
<td>CONTENT MANIPULATION</td>
<td>573.28</td>
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<tr>
<td>GENERAL DEMOLITION</td>
<td>8,682.15</td>
<td>3.68%</td>
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<tr>
<td>DOORS</td>
<td>773.27</td>
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<tr>
<td>DRYWALL</td>
<td>17,528.92</td>
<td>7.43%</td>
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<tr>
<td>ELECTRICAL</td>
<td>14,725.85</td>
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<tr>
<td>FLOOR COVERING - CARPET</td>
<td>368.20</td>
<td>0.16%</td>
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<tr>
<td>FLOOR COVERING - VINYL</td>
<td>4,003.91</td>
<td>1.70%</td>
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<tr>
<td>FLOOR COVERING - WOOD</td>
<td>31,463.74</td>
<td>13.34%</td>
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<tr>
<td>PERMITS AND FEES</td>
<td>9,500.00</td>
<td>4.03%</td>
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<tr>
<td>FINISH CARPENTRY / TRIMWORK</td>
<td>16,093.69</td>
<td>6.82%</td>
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<tr>
<td>FINISH HARDWARE</td>
<td>262.18</td>
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<tr>
<td>FIRE PROTECTION SYSTEMS</td>
<td>4,000.00</td>
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<tr>
<td>FRAMING &amp; ROUGH CARPENTRY</td>
<td>243.30</td>
<td>0.10%</td>
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<tr>
<td>HEAT, VENT &amp; AIR CONDITIONING</td>
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<td>INSULATION</td>
<td>7,249.44</td>
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<tr>
<td>LABOR ONLY</td>
<td>6,000.00</td>
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<td>LIGHT FIXTURES</td>
<td>1,907.83</td>
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<tr>
<td>PLUMBING</td>
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<tr>
<td>PAINTING</td>
<td>18,456.48</td>
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<tr>
<td>TEMPORARY REPAIRS</td>
<td>260.00</td>
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<tr>
<td>WINDOW TREATMENT</td>
<td>165.85</td>
<td>0.07%</td>
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<tr>
<td><strong>O&amp;P Items Subtotal</strong></td>
<td>192,055.02</td>
<td>81.40%</td>
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<tr>
<td>Permits and Fees</td>
<td>38.54</td>
<td>0.02%</td>
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<tr>
<td>Material Sales Tax</td>
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<tr>
<td>Overhead</td>
<td>19,661.34</td>
<td>8.33%</td>
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<tr>
<td><strong>Profit</strong></td>
<td>19,661.34</td>
<td>8.33%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>235,933.17</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

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How can I close the gap?

- The GAP occurs when the insurance company’s scope of loss (and thus, their offer of what they will pay to repair/replace your home) is LESS THAN the actual cost to repair or replace your home.

- Get and present to your insurer detailed written estimates from reputable independent builders.

- Set up a face-to-face meeting between your selected contractor and your insurance adjuster to reconcile pricing/scope differences.

- Consider hiring your own expert to create an independent scope of loss for your destroyed home.
Establishing a fair replacement value for your dwelling

- Get GC and Sub bids based on original or reconstructed plans of original dwelling
- Correct errors in company adjuster’s Xactimate estimate
- Hire a construction cost estimator
- Photographs (pre/post, family, friends,…)
- Public records, Google Earth
- Home purchase documents
- Virtual real estate listings (Zillow, etc.)
- UPHelp.org library/Survivors Speak
- Hire a public adjuster
Lessons Learned

• Take your time (if you rush you’ll forget something)
• If it makes sense for you, pay off your mortgage so all checks come directly to you (ask your CPA!)
• Document everything in writing and keep copies
• When a claim is rejected or delayed, ask for specific language supporting the denial (always ask in writing for an extension on timeframe to settle your claim)
• It’s common to be denied, so be politely persistent - get the facts and keep asking for clarification
Keeping your claim moving forward

Aim to agree on the cost of replacing what you had = how much the insurance company is obligated to pay

Problems often arise if you try to negotiate a settlement on the new home you want to build instead of the one you had.
Sample letter requesting claim related documents

• Ask how they calculated the first payment

• Request your claim related documents

Sample Letter for Requesting Copies of Claim-Related Documents

- Use this letter to request copies of documents related to your insurance claim such as inspection reports, estimates, measurements, notes, and damage assessments.
- Use this letter to request a complete copy of your claim file from your insurance company.

NOTE: This letter is a sample that must be customized to fit the facts of your individual situation and claim. All bracketed and underlined portions must be completed or revised before sending.

(Date)

(Name of adjuster or highest-ranking ins. co. employee you can identify)
(Name of Insurance Co.)
(Address)

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

Dear [INSURANCE COMPANY],

As part of your investigation of our claim, your adjuster and people associated with or hired by your company may have inspected our property, taken notes and written reports or obtained reports and estimates on the damage. We need to see those reports and estimates so we can be informed and continue cooperating with you on our claim. Thank you in advance for your return cooperation.

Please provide complete copies of our claim file and/or all claim-related documents. For purposes of this request, "claim-related documents" means all documents that relate to the evaluation of damages, including, but not limited to, repair and replacement estimates and bids, appraisals, scopes of loss, drawings, plans, reports, third-party findings on the amount of loss, covered damages, and cost of repairs, and all other valuation, measurement, and loss adjustment calculations of the amount of loss, covered damage, and cost of repairs.

[NOTE: If you live in California, your insurance company is legally required to comply with this request by Cal. Ins. Code section 2071 – Requirements in Case Loss Occurs]

Please send these documents to the mailing address listed below within fifteen (15) calendar days of the date of this letter. Thank you in advance for your prompt handling of this request. I look forward to receiving the above-requested documents and working with [INSURANCE COMPANY] to reach a full, fair and timely settlement.

Sincerely,

[YOUR NAME]
[MAILING ADDRESS]
Survivor wisdom:

“The loss of your home is a deeply emotional loss. Emotion is the enemy of a good business deal. When dealing with contractors, suppliers, insurers, banks, and other businesses, the more you resist emotional decisions the better it will turn out. Do not let businesses profit off of your emotions”

Ken Klein, UP Volunteer/San Diego wildfire survivor
Survivors Speak Publications:

www.uphelp.org/survivorsspeak

– The Bottom Line on Recovering From a Disaster
– Choosing to Make Lemonade Out of Lemons
– Things I Wish I Had Known
– Don't take NO for an answer if your position is strong
– Observations from a Teenage Wildfire Survivor
– Negotiating With Your Insurance Company
– Estimating Your Loss
– Adjuster Stories\Partial Loss Remediation Tips\n– Coping With Underinsurance
Previous webinars in the 2021 CA Wildfires R2R series

Insurance and Recovery Orientation
https://uphelp.org/events/insurance-recovery-orientation-webinar-2021/

How to Read and Understand Your Insurance Policy
https://uphelp.org/events/how-to-read-and-understand-your-policy/

Insurance Claim Rules and Your Legal Rights
https://uphelp.org/events/rules-and-remedies/
Upcoming Roadmap to Recovery® Events

**EVERYONE WELCOME**
Survivor to Survivor Forum
Tuesday, December 7, 7:00 p.m. PT / 8:00 p.m. MT
Register: www.uphelp.org/dec7

**FOR CA 2021 SURVIVORS**
Roadmap to Recovery Q&A for CA 2021 wildfire survivors
Tuesday, November 30, 5:30 p.m. PT
Register: www.uphelp.org/nov30

Navigating the Contents Portion of Your Claim
Wednesday, December 8, 5:30 p.m. PT
Register: www.uphelp.org/dec8

www.uphelp.org/events
Register for upcoming events.
View recordings of past events and related resources.

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CALIFORNIA DEPARTMENT OF INSURANCE

Wildfire resources and insurance information

FOR FREE, PERSONAL ASSISTANCE WITH YOUR CLAIMS OR UNDERINSURANCE ISSUES

CALL US AT: 1 800 927 4357

OR GO ONLINE: insurance.ca.gov
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