

Financial Recovery: Homeowner's Property Insurance Issues

*Nancy L. Granovsky,
Professor and Extension Family Economics Specialist,
The Texas A&M University System*

People affected by hurricanes have many questions about their homeowner's property insurance.

Does my property insurance cover water damage?

Basic property policies do not insure against flood damage. Homeowners have to rely on flood coverage purchased separately through FEMA's National Flood Insurance Program (NFIP). Because flood insurance costs extra money and must be purchased separately, many homeowners do not carry this valuable coverage even though it covers damage from water that builds up during a storm.

Standard homeowners' policies generally insure against damage from rain that comes through a broken window, but not necessarily against water from a hurricane's tidal surge. The U.S. is divided into low-, moderate- and high-risk or special hazard locations. In highly flood-prone areas, home buyers are required to have flood insurance before they can obtain a federally insured mortgage.

National flood insurance does not cover livestock, motor vehicles, cropland, shrubbery or roads. The NFIP insures buildings and their contents. This includes almost every type of walled and roofed building that is mostly above ground. All direct losses from flood are covered by the policy. Flood is defined as "inundation of normally dry areas by overflow of inland or tidal waters or runoff surface waters or mudflows." Also covered are losses from land collapse caused by excess water.

Where can I find answers to my insurance questions?

Contact the Texas Department of Insurance (TDI). TDI is prepared to

- ♦ answer questions about many types of insurance, including homeowner's, automobile, health, life, commercial property and workers' compensation;
- ♦ contact your insurance company;

- contact your home state's insurance department for you if you are from another state;
- explain the insurance claims process; and
- assist you with problems or complaints about an insurance company, adjuster, or agent.

TDI's Consumer Help Line (1-800-252-3439) is available from 8 a.m. to 7 p.m., Central time, seven days a week.

In addition, if a Presidential Disaster Declaration has been issued for any disaster event, people should register with FEMA to determine if they may be eligible for federal assistance. Call 1-800-621-FEMA (3362) or register online at www.FEMA.gov/register.

How Do I Start the Process for Settling Insurance Claims After a Disaster?

The Insurance Information Institute suggests several key "first steps" for settling insurance claims after a disaster: contacting your insurance company immediately, making temporary repairs, keeping relocation receipts, and preparing for an adjuster's visit.

Contact your insurance company immediately. Insurance policies place a time limit on filing claims. Contact your company as soon as possible. The Texas Department of Insurance can provide you with the telephone number of your company if you do not have it. When you speak to your insurance company, ask the following questions:

- What is my time limit for filing a claim and making repairs?
- What does my insurance policy cover?
- Will the company send someone out to assess the damage?
- Will I need to get estimates for repairs for structural damage? Should I wait until the company has sent someone to assess damages first, or should I go ahead and start this process?
- How much is my deductible (the amount of loss you agree to pay yourself when you buy an insurance policy)?
- How long will it take to process my claim?
- If I have to live elsewhere temporarily, will my policy reimburse me for those living expenses?

Make temporary repairs. While this is the usual step homeowners take in non-catastrophic situations, be sure to ask your insurance company if making temporary repairs to protect property will help or hinder your claim. You are normally expected to take reasonable steps to protect your property from further damage. Remember that any payments for temporary repairs are part of the total insurance settlement, so if you pay too much for temporary repairs that will require a more permanent solution in the future, there may be less money available for making the permanent repairs. Be careful about contractors requiring a large sum of money up-front to do the work. Also be careful about contractors whose bids are very low. *Extensive permanent repairs should not be made until a claims adjuster has visited your property to assess the damage.* If you do make temporary repairs, save all receipts for what you spend so you can submit them to your insurance company for reimbursement. A recommended practice is to take pictures before you start any temporary repairs.

Keep receipts if you must relocate. If your home is severely damaged you will probably need to find other accommodations while your home is being repaired. Keep records of all expenses you incur if you have to live somewhere else during this period. Homeowner's insurance policies cover the "loss of use" of your home, provided it is damaged by an "insured disaster." If your insurance company tells you that you cannot be reimbursed for these living costs, but you believe your policy covers "loss of use" expenses, contact the Texas Department of Insurance for further assistance in how to deal with your specific situation.

Prepare for the adjuster's visits by substantiating losses. Depending upon the severity of damage to your home, the company may either send an adjuster to visit your home, or may send you a claim form, known as a "proof of loss" form, to complete. The more information you can provide about your losses, the faster a claim can be set-

tled. However, in catastrophic incidents where there is widespread damage in the area, claims payments may be slowed down by the sheer volume of claims that must be reviewed and processed by an insurance company.

Determine the best way to substantiate your losses. You can prepare a home inventory of damaged or destroyed items and give a copy to the adjuster. Recover any receipts to substantiate the inventory, if possible. Do not throw away damaged items until the adjuster has visited. Another method for substantiating loss is through photographs. If most of your property was destroyed and you have no records, you will have the challenge of working from memory. Photos can be helpful. Check with family members for photos of your home or its belongings.

Develop a list of everything you want the adjuster to check over. This can include the structural damage to your home (cracks in walls, damage to floor, ceiling, roof, windows), garage, tool shed, in-ground pools, etc.

If your insurance company has encouraged you to get bids on repair work before the adjuster visits, make sure you get written bids from reliable, licensed contractors. Bids should be detailed and itemized to expedite the claims process.

Keep copies of all documents and lists you provide to your insurance company. Also keep copies of any paperwork the insurance company gives you. It is a good idea to keep a notebook in which you can record the names and phone numbers of everyone with whom you speak and the dates and details of all conversations. It is easy to forget details during times of stress.

Don't Be in a Hurry

Although the days and weeks following a disaster can be very stressful and it is natural to want your claim settled quickly, it is often best not to be in too much of a hurry to settle a claim. Some damage might not be apparent until later, and it is best to wait until all damage is discovered. If you are dissatisfied with the settlement offer, talk things over with your agent and adjuster. Check your policy to see what settlement steps are outlined.

References

Texas Department of Insurance—Hurricane Rita Website <http://www.tdi.state.tx.us/consumer/rita.html>

Insurance Information Institute, "Settling Insurance Claims After a Disaster," 2002. <http://www.disasterinformation.org/disaster2/home/>, downloaded September 28, 2005.

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