

# Home Insurance Claims Process Information

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Many questions typically come up when a person involved in a home insurance property claim process starts dealing with all the issues involved. The following is information and definitions, which we hope will be helpful to you during the claim settlement process if you should experience a home insurance property loss.

**REPLACEMENT COST** is the cost to repair or replace the damaged item to like kind and quality.

**ACTUAL CASH VALUE** is the value of the damaged property at the time of loss, which includes depreciation for age, condition, and wear and tear.

**RECOVERABLE DEPRECIATION** is the amount of depreciation withheld and which should be available to you as a supplemental payment as you actually incur the cost when repairing your damaged property or replacing your damaged property if you have replacement cost coverage.

When an initial claim settlement (payment) is made, you should be provided an estimate of repairs for the resulting damages, which specifies material, units, and unit costs necessary to repair your home or replace your personal property. This estimate should also include necessary labor, to make these repairs and include proper taxes for materials and customary profit and overhead factors for the contractor who performs the work. In accordance with the replacement cost provision of your policy, the insurance company should pay up to the total allowable amount stated on the estimate, if you incur this expense in repairing or replacing your damaged property. The initial claim payment typically will represent the actual cash value for the damaged property at the time of loss.

In order to receive payment for the amount of depreciation withheld, the cost of repairs or replacement must be greater than the amount already paid (actual cash value). Therefore if you only make part of the repairs or replacement and the amount you spend is less than the initial payment (actual cash value), then you are not due additional payments. If the cost to repair or replace is more than the original payment, you must provide the following documentation, which you may typically mail, email or fax to your assigned adjuster. This is done after the damaged property is repaired or replaced.

- \*\* An itemized estimate reflecting the unit cost & the number of units necessary for repair or replacement.  
Example: The number of squares of roofing material and the cost per square.
- \*\* If your claim involves personal property, an itemized invoice of the items replaced with itemized cost.
- \*\* Proof of completion of repairs and payment for such repairs.

You should receive a detailed and itemized estimate from the Insurance Company's claims office after the assigned adjuster prepares the estimate. This estimate should detail what is allowed for the detailed repairs. When you chose your contractor to make the repairs, give this estimate to them. They should make the repairs per this estimate or give you a supplement, which very clearly details what additional repair, and/or cost would be involved in the repair. This is called a supplement. Fax, email or mail the supplement to your assigned adjuster and discuss the details to assure the assigned adjuster will approve this supplement before your repairs are made. This should assure all parties are in agreement on the extent and cost of the repairs and who is paying for what items and the amount of these payments. If you make the repairs at a higher cost to you than as approved by the adjuster, be aware the additional (supplemental) portion may not be approved, therefore we highly recommend you have supplements approved before repairs are made.

If you chose to make repairs yourself and the detailed estimate indicates profit and overhead have been added to the overall cost to estimated repairs you should discuss this issue in detail with your assigned adjuster prior to making repairs to assure the adjuster is aware you are making your own repairs and to determine if the profit and

overhead will be allowed as the profit and overhead is allowed when a contractor who has employee and office overhead burdens is involved in the repairs. If you make the repairs yourself and only have receipts for materials, the overhead and profit may not be allowed, therefore it may be more conducive to have a contractor make all of the repairs for you. Repair it yourself claims can turn into real nightmares.

Your home insurance policy typically states all repairs or replacements must be made within 365 days from the date of loss. If this provision cannot be complied with, typically a written request for a six-month extension may be made. If repairs are not completed within this time frame, the depreciation amount withheld probably will not be reimbursed. Replacement cost claims will be considered on a per claim basis and in accordance with the replacement cost provisions in your home insurance policy.

**MORTGAGE COMPANY INVOLVEMENT** – Be aware if you have a home mortgage and the loss is over a certain amount usually \$5,000 the payments made by the insurance company may be made out to you as the insured and the Mortgage Company. This is required as the insurance company has an obligation to satisfy the Mortgage Company's interest per the home insurance policy provisions. Suggestions to have the mortgage company counter endorse the check are as follows:

1. Determine if there is a local office for the Mortgage Company and bring the check there personally.
2. If no local offices exist, contact the Mortgage Company, speak with a specific person whom you can mail the check to with instructions and with a pre-addressed, stamped envelope to you included. Follow up with the contact in 3 – 4 working days to assure it was received. We suggest sending it certified mail so it may be tracked if necessary. Do not hold the check when you receive it from the insurance company as your mortgage company could change without notice then the check you have is not valid as it contains the old Mortgage Company's name.

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