AN INSURANCE PREPAREDNESS GUIDE FOR

POST-DISASTER CLAIMS

Maryland

INSURANCE ADMINISTRATION

AN INSURANCE PREPAREDNESS GUIDE FOR

POST-DISASTER CLAIMS

Maryland
INSURANCE ADMINISTRATION

This publication is reprinted with permission from the NAIC, 1100 Walnut Street, Suite 1500 Kansas City, MO 64106-2197, *https://content.naic.org*.

TABLE OF CONTENTS

There's been a Disaster – What Should I Do Now? 1
Property Insurance Claims Guide 2
Safe and Sound 2
Additional Living Expense (ALE) 4
Reporting an Insurance Claim 5
Estimating the Damage 7
Working with the Insurance Adjuster 8
Determining Coverage 9
How is a Claim Payment Amount Calculated? 11
How are Deductibles Used to Calculate a Claim? 12
Replacement Cost versus Actual Cash Value 12
How Does Depreciation Work? 13
What is Ordinance and Law Coverage? 15
The Three "R'S" of Recovery 16
Assignment of Benefits 17
What Can I Do to Avoid Insurance Fraud? 17
Moving On and Looking Forward 17
Preparing Yourself Financially 19
Claim Information, Claim Communication & Emergency Repair Logs 20

THERE'S BEEN A DISASTER - **WHAT SHOULD I DO NOW?**

LEARN MORE IN THE SECTIONS DESCRIBED BELOW.

SAFE AND SOUND

After a disaster hits, make sure you and your family are safe. Then secure your belongings. Do what you can to secure your home and property to prevent more damage or theft. For example, if windows are broken, board them up. If the roof has a few holes, cover it with a tarp to prevent water damage.

REPORT A CLAIM

Once you've determined your home is damaged and needs to be repaired or rebuilt, report or file a claim as soon as possible. The easiest way to report a claim is to call your insurer or insurance producer. You may be able to report or file a claim online or from your cell phone. If you have trouble finding a phone number, try searching for your insurer online.

ESTIMATE DAMAGE

An insurance adjuster will figure out how much damage was done to your home and property. The adjuster will ask you for a home inventory (a list of your personal property) if your personal belongings were damaged or destroyed. The adjuster will visit your home to inspect and estimate the damage done. On page 7, you can learn about the different types of adjusters who may work on your claim and what you should do to prepare to meet the adjuster.

DETERMINE COVERAGE

Once the adjuster has figured out how much it will cost to rebuild, repair or replace your home or property, the adjuster will review your policy to calculate how much the insurer will pay. If you've never filed a claim before, this process can seem overwhelming. But you can read page 9 to learn how claim payments are calculated and how your coverage will impact what your insurer pays. You can learn the meaning of some of the words insurers use.

REBUILD, REPAIR AND REPLACE

Your recovery from a disaster is not complete until you're living back in your home. During the recovery phase, you'll be replacing personal items (if damaged), choosing building materials and working with contractors. Read page 16 to find tips about working with contractors and how to avoid becoming a victim of fraud.

PREPARE

It may sound strange, but the recovery process is the best time to start preparing for the next disaster or claim. Create a home inventory list as you're replacing your belongings. Also, as you're rebuilding, consider using building materials that will resist damage – so if there's another disaster, your home may have less damage. For example, you could use impact-resistant shingles or impact-resistant siding.

PROPERTY INSURANCE **CLAIMS GUIDE**

DISASTERS HAPPEN EVERYWHERE AND CAN HAPPEN AT ANY TIME. ANY OF THE FOLLOWING CAN CAUSE A SIGNIFICANT AMOUNT OF DAMAGE TO HOMES AND PERSONAL PROPERTY:

TORNADOES

WILDFIRES

HURRICANES

FLOODS

EARTHQUAKE

This might be the first time you've had an insurance claim – or maybe a claim this big.

This Guide provides information to help you understand what to do after a natural disaster damages your home. It also gives you helpful tools and tips to navigate the insurance claims process, whether this is your first insurance claim or not.

This Guide provides general information to help you in any type of disaster. But remember, most policies won't cover damage from floods or earthquakes unless you bought that coverage separately. You should read the terms of your policy to find out what it does and does not cover. Your insurer or insurance producer may also be able to answer questions about your policy.

The Maryland Insurance Administration can help you and answer any questions – free of charge. Visit our website at *www.insurance.maryland.gov* or call us at 800-492-6116.

SAFE AND **SOUND**

A DISASTER HAS HIT MY AREA AND MY HOME HAS BEEN DAMAGED. I'VE MADE SURE MY FAMILY IS SAFE. WHAT SHOULD I DO NEXT?

Make sure there are no safety issues like downed electrical lines or broken gas lines. If there are safety issues, leave your home and wait for or listen to your local authorities to learn when you can return.

When inspecting your home, avoid broken glass and sharp objects or remove them. Watch out for things that could cause you to trip or fall.

Take photos or videos of the damaged areas and personal property. You also can jot down notes about any significant damage you see.

MY FAMILY AND I WERE EVACUATED FROM OUR HOME. WHEN CAN WE GO HOME?

Wait to return to your home until your state or local authorities tell you it's safe. The authorities won't let you return to your home if there are hazards like downed power lines or broken gas lines. This is for your safety.

THERE'S A LOT OF DAMAGE TO MY HOME. WHAT SHOULD I DO ABOUT THE DAMAGE?

Try to prevent further damage by making essential repairs, like covering roofs or windows with plywood, tarp, canvas, or other waterproof materials.

IMPORTANT: KEEP ALL RECEIPTS FOR EMERGENCY REPAIRS TO GIVE TO YOUR INSURER. Because you have to prevent more damage, you may want to hire a contractor to make any emergency repairs.

Don't make permanent repairs before talking with your insurer or insurance producer. Your insurer may not pay for repairs it didn't authorize. If you're contacted by any contractors, review the section on *Avoiding Insurance Fraud* on page 17 to avoid being taken advantage of.

THERE'S SO MUCH DAMAGE TO MY HOME, THERE'S NO WAY I CAN STAY. WHAT SHOULD I DO?

Do your best to secure your home and personal belongings.

Gather important papers, including insurance policies and a list of all damaged or destroyed personal property (a home inventory list), if you have one. Take those with you if you can't stay in your home.

If you can't stay in your home, save any hotel receipts. Your insurer will need the receipts to repay you.

Contact your doctor's office, pharmacy, or health plan if your prescription medicines were lost or if you lost your glasses, contacts, hearing aids, walker, wheelchair, or other medical equipment in the disaster.

Make sure you notify utilities and your mortgage company and make arrangements for mail deliveries.

ADDITIONAL LIVING EXPENSE (ALE)

Many homeowners policies also will pay the additional expenses you have if you can't stay in your home because of damage from a covered disaster. For example, if you've moved into a hotel or apartment while your home is repaired or rebuilt, and you have additional living expense coverage, the insurer may pay some or all of your costs for temporary housing depending upon your policy's terms and coverage limits.

Just don't expect the insurer to pay for your stay at a 5-star spa and resort or to eat out every night at the most expensive restaurant in town.

ALE is limited; see below for more information.

WHAT TYPES OF LIVING EXPENSES DOES ALE PAY FOR?

The insurer will not pay ALL of your living expenses. ALE is to help pay those expenses that are beyond your normal expenses because you can't live in your home. For example, ALE coverage will pay hotel lodging, but it won't make your mortgage payment.

ALE typically covers hotel bills, reasonable restaurant meals (if you're staying in a hotel room with no kitchen), and other living costs above and beyond your normal housing expenses while you can't live in your home because of damage.

Generally, you should try to keep ALL receipts for any additional costs you have. The insurer will need the receipts to reimburse you.

IS THERE A LIMIT TO HOW LONG OR HOW MUCH I CAN USE FOR MY ADDITIONAL LIVING EXPENSES?

Keep in mind that ALE coverage is limited. Some policies have a dollar limit; some also may have a time limitation.

The good news – these limits are separate from any coverage you have to rebuild or repair your home. They're also separate from any coverage you have to replace your belongings.

Ask your insurer, insurance producer or adjuster what your policy covers and any time or dollar limits that apply.

REPORTING AN **INSURANCE CLAIM**

WHEN SHOULD I REPORT DAMAGE TO MY HOME OR PERSONAL PROPERTY?

Before reporting the property damage to your home, it is a good idea to find out what your deductible is. If the damage is minor, for example, just a few shingles were damaged, you might decide you're better off paying for the repairs out of pocket instead of filing an insurance claim. But, remember you might not be able to see all the damage. You may want to have a contractor inspect your home.

If you believe the damage will cost more than your deductible to repair, or there's a lot of damage, you may want to file a claim. It's important to notify your insurer as soon as you know there's damage and you decide to file a claim.

The easiest way to report damage is to call your insurer or insurance producer directly.

WHAT SHOULD I DO IF I DON'T HAVE MY INSURER OR INSURANCE PRODUCER'S PHONE NUMBER?

If you have cell service, use your cell phone to search for phone numbers or the insurer's website. There may be a phone number to report a claim.

If you can access social media, you can search for information from your insurer or the Maryland Insurance Administration about how to file a claim.

If you have limited or no cell service, look for mobile claims centers in your area. Local news outlets and social media usually announce their locations.

WHAT DO I NEED TO KNOW WHEN I CALL TO MAKE A CLAIM?

It will help if you have your policy number. But if you don't, your insurer or insurance producer can find your policy with your name, address, and phone number. You'll need to briefly explain what happened and describe the type and extent of the property damage.

If you aren't staying in your home, be prepared to give your insurer and insurance producer your new contact information—a phone number and an address.

Let your insurer and insurance producer know when you call if you've taken photos and videos of the damage and have cost estimates.

WHAT IS A CONTRACTOR?

An individual you hire to manage the repair of your home. The contractor is responsible for supplying the necessary equipment, material, labor and services to complete repairs.

WHAT DO I NEED TO ASK WHEN I FILE A CLAIM?

It is a good idea to ask:

- For the name and phone number for every person you talk to.
- For your claim or reference number.
- How long you have to file a claim.
- If you need estimates to make repairs or rebuild before you can file a claim.
- For a general idea of what your policy will cover.
- If your insurance policy covers hotel costs. For how much? For how long?
- For information about your deductible. Are there separate deductibles for hail, hurricane, or wind damage? What are those?
- If there are any special processes or procedures you need to know about.
- When you can expect an adjuster to call.
- What other information the company will need to process the claim.

WHAT OTHER INFORMATION OR PAPERWORK COULD THE INSURER OR INSURANCE PRODUCER ASK FOR DURING THE CLAIMS PROCESS?

A list of all damaged or destroyed personal property (a home inventory list) and receipts, if you have them, showing when you bought the damaged or destroyed items.

A list of damage to the home and other structures, like a garage, tool shed, or in-ground swimming pool. You'll need this list when you meet with the adjuster.

WHAT IF I DON'T HAVE A COMPLETED HOME INVENTORY LIST?

Don't worry; the adjuster will give you some time to make a list. Ask the adjuster how much time you have to submit this inventory list.

Work from memory if your property was destroyed and you have no records.

Review photos, for example on your cell phone or from family or friends, taken inside your home. That may help you make the list.

Search online shopping websites or online retailers to help estimate costs.

The National Association of Insurance Commissioners (NAIC) has a printable inventory listing that may help you as you're making your list.

www.insureuonline.org/home_inventory_checklist.pdf

ESTIMATING THE **DAMAGE**

WHAT IS AN ADJUSTER AND WHAT DOES AN ADJUSTER DO?

An adjuster is a person who determines the amount of damage to your home and property - what can be repaired or replaced, and at what cost. An adjuster reviews your insurance policy to determine if the damage is covered and if there are any dollar limits or deductibles that apply. They also should explain your policy's coverage for the claim.

ARE THERE DIFFERENT TYPES OF ADJUSTERS?

COMPANY

INDEPENDENT

PUBLIC

Remember in larger weather events or disasters, not all adjusters will live or work in your state. Some adjusters may be sent from other states to help when there's a large number of claims.

WHAT IS A COMPANY ADJUSTER?

- A company adjuster works only for that insurer.
- The insurer hires and pays a company adjuster. This adjuster will settle the claim based on the insurance coverage you have and the amount of damage to your home and property.
- You do **not** pay a company adjuster.

WHAT IS AN INDEPENDENT ADJUSTER?

- An independent adjuster works for several different insurers. An insurer uses independent adjusters when it doesn't have its own adjusters on staff or when it needs more adjusters than it has available; this often happens in a large disaster.
- An independent adjuster does the same work as a company adjuster (see above).
- You do **not** pay an independent adjuster.

WHAT IS A PUBLIC ADJUSTER?

- A public adjuster is a professional you can hire to handle your insurance claim.
- Public adjusters have no ties to the insurer.
- They estimate the damage to your home and property, review your insurance coverage, and negotiate a settlement of the insurance claim for you.
- Many states require public adjusters to be licensed. Some states prohibit public adjusters from negotiating insurance claims for you. In those states, only a licensed attorney can represent you.
- **You** have to pay a public adjuster.

WORKING WITH THE **INSURANCE ADJUSTER**

HOW LONG AFTER I FILE A CLAIM WILL AN ADJUSTER COME TO INSPECT MY HOME?

It depends – every disaster can be different. Ask your insurer when you file the claim.

If you don't hear from an adjuster in a reasonable amount of time, contact your insurer or insurance producer. A reasonable amount of time could be 3 to 5 days for a minor claim. But, it may take longer for the adjuster to reach you following a large disaster in your area. Be sure they know how to contact you.

WHAT SHOULD I DO TO PREPARE TO MEET WITH THE ADJUSTER?

It can be helpful to:

- Make a list of all damaged or destroyed personal property. Make a list of damage to the home and other structures, like a garage, tool shed, or in-ground swimming pool. Work from memory or from photos if you have no records of your destroyed property.
- Gather any photos or videos of your home and property before they were damaged or destroyed.
- Include receipts from when you bought the damaged or destroyed items, if you have them. Search online shopping sites or online retailers to help estimate costs.
- If you have time before the adjuster inspects your home, try to get written bids from contractors. You aren't required to have bids, but it can help. The bids should detail the materials to be used, prices of those materials, and labor on a line-by-line basis.
- Take notes when you meet with the adjuster. Get the adjuster's name and contact information and ask when you can expect to hear back. You can write this information down in the *Claims Communication* Section in the back of this resource.

WHAT WILL HAPPEN WHEN THE INSURANCE ADJUSTER COMES TO MY HOME?

- It is generally a good idea to be there when the adjuster comes to your home. You can show the adjuster where you believe there has been structural damage and give the lists you've prepared of property or structural damage, photos or videos you've taken, and bids from contractors.
- The adjuster will inspect your home and take photographs and measurements. While the adjuster is there, they may even do some calculations of the damage and cost to repair.
- Before the adjuster leaves, it is a good idea to make sure you have their contact information, as well as to ask the adjuster what the next steps will be and to estimate when you'll hear back from them.
- Ask the adjuster if there's any other information you should provide. After the adjuster leaves, you may need to gather more information or start a personal property inventory list.

IF I HIRE A PUBLIC ADJUSTER, WILL THE INSURER STILL SEND ITS OWN ADJUSTER?

The insurer doesn't have to accept your public adjuster's estimates.

The insurer will typically send either a company adjuster or an independent adjuster to assess and estimate damage to your home or property.

HOW IS A PUBLIC ADJUSTER PAID?

- If you hire a public adjuster, it's your responsibility to pay their fee.
- A public adjuster should give you a contract. The contract should explain what services the adjuster will provide and how much you will pay.
- If you hire a public adjuster after your insurer has made an initial offer, ask about the fee. The contract should say if the fee you'll pay will be based on the total the insurer pays or on the amount the public adjuster negotiates for you.
- You should ask your public adjuster to routinely provide you updates on the status of your claim.

DETERMINING **COVERAGE**
(SETTLING A CLAIM)

HOW DO I GET A SETTLEMENT OFFER? WHO GIVES ME THAT?

The company adjuster or independent adjuster will calculate the amount of damage to your home and property. They will review your policy and determine what deductibles may apply and if there are any limits on what will be paid. Once they've made those calculations, they'll contact you and your public adjuster or lawyer (if you have one) and share their estimates and calculations with you. They also may contact your contractor about their estimates and calculations.

WILL I GET A LUMP SUM PAYMENT AND WHEN WILL I RECEIVE MONEY?

The settlement process is not a single transaction. You'll likely get a number of payments for different parts of your claim to help you start the rebuilding and repairing process. You'll likely receive a payment for your additional living expenses mentioned above first. Then you'll start to receive payments to replace your personal property, followed by payments for the repairs and construction on your home.

WHY DID THE INSURER MAKE THE CHECK PAYABLE TO ME AND MY MORTGAGE COMPANY?

If you have a mortgage on your home, your lender has an interest in making sure the home is rebuilt – or that your loan is paid in full. Your mortgage lender may have required you to add them as an additional insured on your homeowners policy as a condition of giving the loan. If your lender is named as an "Additional Insured" on the policy, the insurer is legally obligated to include them on the check it pays for major repairs. You'll need to work with your mortgage lender to get the claim

money released for repairs. If you have problems working with your mortgage lender, contact the Maryland Office of the Commissioner of Financial Regulation at 500 N. Calvert Street - Suite 402, Baltimore, MD 21202, (888) 784-0136 or *www.dllr.state.md.us/finance/*. The federal government also has a website where you can make a complaint against your bank or mortgage lender, if you aren't getting the help you need. That website is: *www.usa.gov/complaints-lender.*

HOW LONG WILL IT TAKE FOR MY INSURANCE CLAIM TO BE SETTLED?

Everyone wants the process to be done as fast as possible so they can return to a normal life.

If there's substantial damage involving your home and property, an insurance claim is not going to be closed with a single payment. There will likely be multiple claims payments for various parts of your claim as the rebuilding process moves along. Most people find it takes at least 18 to 24 months to repair/rebuild their home and replace their possessions after a major disaster. Your insurance claim will stay open until the insurer has made all payments you're entitled to under your policy.

You should feel free to contact your insurer or adjuster for a status on your claim at any time during the claims process.

WHAT IF I'M NOT SATISFIED WITH THE AMOUNT OF MY INSURANCE SETTLEMENT?

- Your settlement won't necessarily be the same as your neighbor's. Your coverages, deductible, and policy limits may be different even if the damage looks the same.
- If the insurer denies any part of the claim, it is a good idea to ask for the denial in writing and to keep all paperwork.
- If you don't believe the offer is fair, you can call the insurer. Be prepared to explain why you think the offer is unfair. If you're not satisfied with the response, you can contact the Maryland Insurance Administration for assistance or, depending on your policy, seek arbitration or file a lawsuit.

WHAT IF THE INSURER DOESN'T AGREE WITH THE PUBLIC ADJUSTER'S OR MY CONTRACTOR'S ESTIMATE OF THE DAMAGE?

Differences in construction estimates are common. Ideally, you and the insurer should reach an agreement on a "scope of loss". This is a detailed list of the quantities of construction materials, labor, profit and overhead, building code compliance, and every single item required to repair or rebuild your home.

Once you've submitted all the information that your insurer needs, including written estimates from contractors, the adjuster will calculate the total cost.

If you disagree with the claim amount the adjuster has calculated, there are different ways to settle that disagreement without going to court. Two ways are appraisal and arbitration.

Appraisal: If you can't agree with your insurer about how much it will cost to rebuild your home and/or repair or replace your property, you can use the appraisal process to resolve the differences. This isn't the same as an appraisal you may have of your home's value.

The appraisal process begins with two appraisers comparing their estimates. The appraisal process only determines costs, not if your policy covers these costs. It isn't a court proceeding.

If you use the appraisal process, you'll have to pay some of the costs. What you'll have to pay will depend on Maryland law.

If your policy has an appraisal clause, you must go through the appraisal process before you can sue your insurer.

Arbitration: Arbitration is a legal process, but you don't have to go to court. In an arbitration hearing, a neutral third party (arbitrator) hears from both you and your insurer. Both parties agree to accept the arbitrator's decision. Usually the decision is binding so you can't go to court to appeal the decision.

Some insurance policies require arbitration to settle differences. Other policies will say how arbitration will work if both you and your insurer agree to use it. Make sure you talk with your insurer to find out how arbitration works and if you are responsible for any of the costs.

WHAT CAN I DO IF MY CLAIM WAS DENIED?

If you think the insurer should have paid your claim, you can use arbitration or file a lawsuit to get the insurer to reverse its decision. But, before you do any of those, contact the Maryland Insurance Administration.

HOW IS A CLAIM PAYMENT AMOUNT **CALCULATED?**

A number of important insurance terms will help you understand how your insurance claim will be paid. The following sections explain terms like deductible, depreciation, Actual Cash Value, and Replacement Cost.

WHAT IS A DEDUCTIBLE?

A deductible is the part (or amount) of the claim you're responsible for. Insurers will deduct this amount from any claim settlements they pay to you or on your behalf. So if your insurance policy has a $1,000 deductible, that means you've agreed to pay $1,000 out of your pocket for the damage to your home.

ARE THERE DIFFERENT TYPES OF DEDUCTIBLES?

Yes. A deductible can be either a specific dollar amount or a percentage of the total amount of insurance. There are special deductibles that apply to certain types of claims; some deductibles are applied to specific parts of your home. Look at the declarations page or the front page of most homeowners insurance policies to learn about your policy's deductible.

HOW ARE DEDUCTIBLES USED TO **CALCULATE A CLAIM?**

FLAT DOLLAR DEDUCTIBLE $500 DEDUCTIBLE PER LOSS
A disaster destroyed your home. Your home was insured for $250K (structure only) and it will cost $250K to rebuild it. You have a $500 deductible.
Damage and Cost to Rebuild: $250,000
Minus the Deductible: - $500
CLAIM SETTLEMENT AMOUNT: $249,500

PERCENTAGE DEDUCTIBLE 2% DEDUCTIBLE PER LOSS
A disaster destroyed your home. Your home was insured for $250K (structure only) and it will cost $250K to rebuild it. You have a 2% deductible.
Insured Value: $250,000
2% Deductible: $250,000 x 2% = $5,000
Damage and Cost to Rebuild: $250,000
Minus the Deductible: - $5,000
CLAIM SETTLEMENT AMOUNT: $245,000

Some insurance policies have a special deductible for losses caused by wind, hurricanes, or other types of storms. The insurer applies this deductible when one of those types of disasters causes the damage. If something else damages your home, then the "all peril" deductible would apply.

Some policies also may have a special deductible that applies to a specific part of your home, like your roof. In these cases, the deductible could be either a flat dollar amount or a percentage.

REPLACEMENT COST VERSUS **ACTUAL CASH VALUE**

If you have **Replacement Cost Value (RCV)** coverage, your policy will pay the cost to repair or replace your damaged property without deducting for depreciation.

If you have **Actual Cash Value (ACV)** coverage, your policy will pay the depreciated cost to repair or replace your damaged property.

Check the declarations page of your homeowners policy to see whether the policy provides replacement cost coverage. If it doesn't specify replacement cost, then your policy likely only covers actual cash value. If it specifies replacement cost, then you have replacement cost coverage.

Under an RCV or ACV policy, your dwelling coverage pays for damage to the structure and will pay only up to the policy limit.

Even if you bought an RCV policy, there may be other limits on what the policy will pay for damage to certain surfaces, such as roofs. In some cases, the policy may pay ACV on your roof, but RCV on the rest of your home and property. If you have questions, call the adjuster or your insurer and ask what type of coverage you have.

HOW DOES **DEPRECIATION WORK?**

IS ALL DEPRECIATION THE SAME?

No. Depreciation in an insurance claim is much different than depreciation on assets for taxes and is different from an accountant's calculation of depreciation on property.

In an insurance claim, the deduction for depreciation may be significant, especially if the damaged property was at or near the end of its useful life. For example, if a covered cause of loss destroys your 20 year old roof and it must be replaced, a policy that pays RCV will cover the full cost to replace the roof. However, an ACV policy may pay as little as 20% of the cost to replace the roof, since the useful life of a roof is usually about 25 years.

WHAT IS "DEPRECIATION" AND HOW DOES THAT AFFECT MY CLAIM?

Everything covered under your homeowners policy is assigned a value. Your home, and most of its contents and components, are likely to decline in value over time because of age or wear and tear. This loss in value is known as depreciation.

Insurers usually calculate depreciation based on the condition of the property when it was lost or damaged, what a new one would cost, and how long the item would normally last.

For example, your two-year old laptop that was in good condition was destroyed in a disaster. A similar new laptop would cost $750. Your laptop normally lasts four years, so it had lost 50% of its value (25% a year). So, the value of your laptop at the time it was destroyed was half of $750, or $375. Your insurance settlement would include $375 to reimburse you for this laptop.

I HAVE A REPLACEMENT COST POLICY, BUT MY INSURER ONLY PAID FOR PART OF THE CLAIM. CAN THEY DO THAT?

When you have an RCV policy and turn in a claim for a covered loss, the insurer at first may pay only the ACV for the damage to your home or personal property.

But, when you present evidence that the damaged property has been repaired or replaced, the insurer will pay the difference (this is referred to as "recoverable depreciation") up to the replacement cost.

Recoverable depreciation is calculated as the difference between an item's replacement cost and ACV.

IS THERE A TIME LIMIT ON WHEN I CAN GET PAID FOR THE RECOVERABLE DEPRECIATION?

Yes, there's usually a time limit. Ask your insurer how long you have to file this portion of the claim.

In certain circumstances, like a very large- scale disaster, insurers know it will take longer to rebuild homes and replace property. They may give you more time if you ask.

If you have questions about this time frame, ask your adjuster. You also can contact the Maryland Insurance Administration.

I WAS TOLD I HAVE TO REPLACE WITH "LIKE KIND AND QUALITY." WHAT DOES THAT MEAN?

Most insurance policies that are Replacement Cost cover repairs or replacements with property of "like kind and quality".

Your insurance policy isn't intended to pay for expensive improvements or upgrades. For example, if you had a 3-tab shingle roof before the loss, your insurance policy would cover the cost of another 3- tab shingle roof, but not a more expensive slate roof. If you had ceramic bathroom sinks in your home, your insurance policy won't pay the extra cost to replace those with granite countertops.

WHAT IS "FUNCTIONAL REPLACEMENT"?

Another type of coverage becoming more common, particularly with older homes, is known as "Functional Replacement Coverage" (FRC). FRC replaces the damaged property with a functional replacement, which isn't necessarily the same quality and craftsmanship as the original materials.

A simple example would be replacing plaster walls with drywall. Both provide solid walls and have the same function, yet the cost varies greatly between the two. Another example would be a damaged banister in a home. The repair could be made with wood carved in the same architectural style, but using a less expensive wood – for instance, replacing an oak banister with a pine banister. Another example would be replacing a tile roof with a shingle roof.

MY ADJUSTER MENTIONED THAT SOME OF MY PROPERTY HAS A SPECIAL LIMIT. WHAT IS THAT?

A special limit caps how much money you'll be paid for certain types of property. Don't confuse this with the contents or personal property limits. A special limit will apply to specific categories of property like jewelry, furs, guns, antiques, collector items, and coins.

MY HOME AND/OR PROPERTY WERE DESTROYED AND CAN'T BE REPAIRED. CAN I USE THE INSURANCE SETTLEMENT TO BUILD OR BUY ANOTHER HOME SOMEWHERE ELSE?

Check your insurance policy and talk with your insurer or insurance producer. You also can call the Maryland Insurance Administration.

You may not get the same settlement if you don't rebuild on the same location.

WHAT IS **ORDINANCE AND LAW COVERAGE?**

- In many instances, your local government may require your home to be repaired or rebuilt to meet current local building codes. Unless you have Ordinance and Law coverage, a standard homeowners policy doesn't cover that added expense.
- Ordinance and Law coverage in your homeowners insurance policy covers part or all of the cost to repair or rebuild your home to meet current local building codes. For example, electrical wiring, plumbing, windows, and roofing materials are some things that may need to be updated.
- Standard homeowners policies don't cover the added expense to meet current building codes when you repair or replace your home. Look at the declarations page of your policy to see if you have Ordinance and Law coverage.

THE THREE "R'S" OF **RECOVERY**

REBUILD

REPAIR

REPLACE

I'VE ACCEPTED THE INSURER'S SETTLEMENT AND I'M READY TO REPAIR/REBUILD. WHAT DO I NEED TO KNOW?

It is generally a good idea to:

- Use reputable contractors. Reputable contractors usually don't ask for a large payment upfront.
- Know if your contractor is licensed. Contractors may be licensed or registered. The difference is important. A licensed contractor has passed exams and met other requirements to show that he or she is competent. A registered contractor has provided contact information to a government authority. You can learn more about licensing and registration of contractors by calling the Maryland Department of Labor at 410-230-6001. They are the state agency that licenses and regulates contractors.
- Ask your contractor to show you the building permits. Contractors most likely will need to apply and pay for building permits before beginning work. Don't forget to check with your local officials about any requirements for permits or inspections.
- Get an estimate from more than one contractor. An estimate from a contractor that's much lower than any of the others doesn't mean it's the best deal. Make sure all the quotes include the same things and check references.
- Contact your insurer and adjuster any time you find damage that hasn't already been reported or inspected or if you learn something new about damage to your home or property.

WHAT SHOULD I KNOW ABOUT A CONTRACTOR BEFORE HIRING ONE?

It is generally a good idea to get the following information:

- a copy of the contractor's identification (the contractor's name and the name of the business);
- a copy of the contractor's business license (check the expiration date);
- a copy of the contractor's proof of worker's compensation insurance; and
- a copy of the contractor's proof of liability insurance. A licensed insurer or insurance producer issues this certificate. The proof of insurance should show the company's name, phone number, and the policy number. Call the insurer to verify the coverage.

ASSIGNMENT OF **BENEFITS**

Maryland law allows assignments of benefits (AOB) after a loss. This agreement transfers your rights under your insurance policy and your claim to a third party, most often your contractor.

Be cautious if you're asked to sign an AOB. Typically, there's a promise from the contractor to handle all matters with the insurer for you, which may sound great. But you also may be giving up some, most, or even all of your rights, including having a lawsuit filed without your approval or knowledge.

Take your time to review any AOB carefully. Talk to your claims adjuster or you can ask an attorney to review and give you advice. You can also call the Maryland Insurance Administration.

WHAT CAN I DO TO AVOID **INSURANCE FRAUD?**

After storms and other disasters, fraudsters and scam artists often arrive quickly. Watch for contractors who offer to do your repairs with upgraded or free building materials. Here are a few tips to help you avoid becoming a victim of a disaster fraudster or scam artist:

- If you're working with contractors you don't know, find out where they're from. Many fraudsters will travel from state to state.
- Before you sign any contracts or pay any money, ask for references.
- Never pay the full amount before the work is complete.
- Ask your local Better Business Bureau and Maryland Attorney General's Office about complaints.
- Check online for information about the contractor.
- Most importantly, report any suspected fraud to your insurance producer and the Maryland Insurance Administration as soon as possible.

MOVING ON & **LOOKING FORWARD**

I'VE JUST GONE THROUGH ONE DISASTER. WHAT DO I NEED TO DO TO PREPARE FOR THE NEXT DISASTER?

There are two different parts of preparation – preparing your home and preparing yourself financially.

PREPARING YOUR HOME

While you're rebuilding, think about what you can do to minimize damage to your home during the next storm or disaster. This is called mitigation.

WAYS YOU CAN LIMIT FUTURE DAMAGE:

YOU CAN MAKE CHANGES TO YOUR HOME TO LIMIT DAMAGE DURING A FUTURE TORNADO, WILDFIRE, HURRICANE, OR HIGH WIND.

Secure entry doors. Make sure entry doors have a two-inch deadbolt and three hinges with screws long enough to secure the door and frame to the wall. The frame should be well anchored.

Install impact-resistant windows. Local building codes in some areas require this.

Leave the windows closed in a storm. Opening the window doesn't equalize the pressure between the inside and outside of the house. Instead, it pressurizes the inside of the house, like blowing up a balloon until it pops. The air pushes off the roof or a wall and the house collapses.

Create a wildfire defense area. Remove flammable materials from around your home. Trim over hanging branches. Remove dead trees and bushes. Clean gutters and clear them of leaves and pine needles.

Install mesh screens over exterior vents. This will prevent fire embers from getting inside your home.

Brace your garage door. You can buy bracing products that will make your door stronger and more wind resistant. If you're expecting bad weather and haven't braced your garage door, you can put a vertical brace into the wall framing and floor, much as you would board up a window before a hurricane.

Install wind-resistant roof structures. Roofs are usually installed with roofing nails. But this type of roof can come off in high winds. Using hurricane clips to attach roofs creates a stronger connection between the roof and the house. Roofing clips come in a range of protection; the one you need depends on the weight of your roof. The building codes in hurricane-prone areas requires roofing clips, but they're a good idea in tornado-prone areas too.

Store firewood and other flammable materials away from home, garage, or deck.

A number of great resources are available online can give you more ideas about ways you can reduce or avoid damage to your home.

- *Ready.gov* (US Department of Homeland Security)
- FEMA Mitigation Resources (US Department of Homeland Security) - *https://www.fema.gov/region-vii-ia-ks-mo-ne-archived/other-mitigation-resources*
- Ready, Set Go! (Wildfire resiliency) - *www.wildlandfirersg.org*

PREPARING YOURSELF **FINANCIALLY**

Once you've rebuilt or repaired your home, and you're replacing damaged property, it's time to prepare for the future.

- You should make a list of all your stuff, called an inventory list. If you don't want to write everything down or type it into a spreadsheet, you can film a video to show your household items. As you film, you can describe important items, including when you bought the item, its condition, and how much you paid for it, if you know. There also are many mobile apps that will make it easier to create an inventory list. The National Association of Insurance Commissioners (NAIC) has a free app called the MyHOME Scr.APP.book that can be downloaded in the Apple App Store or on Google Play.
- Make a copy of your inventory list and keep it with your insurance policy. You could put the copy somewhere safe, such as a bank safety deposit box. You also could store a copy online.
- Put your insurer's name, policy number, and company contact information somewhere you could find it in a disaster.
- Review your policy with your insurance producer each year to see if your needs have changed.

CLAIM INFORMATION

Name of Insurer:
Claim Number:
Phone Number:

INSURANCE ADJUSTER INFORMATION

Adjuster Name:
Adjuster Company:
Phone Number:
Adjuster License Number:
Website:

CONTRACTOR(S)

Name of Company:
Representative:
Phone Number:
License Number:
I checked: ❑ They have liability Insurance ❑ With my Insurer ❑ With the Better Business Bureau ❑ Online Search

Name of Company:
Representative:
Phone Number:
License Number:
I checked: ❑ They have liability Insurance ❑ With my Insurer ❑ With the Better Business Bureau ❑ Online Search

CLAIM COMMUNICATION LOG

Who did I talk to:
Name of Company:
Date/Time:
What we talked about:
What is Next:

Who did I talk to:
Name of Company:
Date/Time:
What we talked about:
What is Next:

CLAIM COMMUNICATION LOG

Who did I talk to:
Name of Company:
Date/Time:
What we talked about:
What is Next:

Who did I talk to:
Name of Company:
Date/Time:
What we talked about:
What is Next:

CLAIM COMMUNICATION LOG

Who did I talk to:
Name of Company:
Date/Time:
What we talked about:
What is Next:

Who did I talk to:
Name of Company:
Date/Time:
What we talked about:
What is Next:

EMERGENCY REPAIR LOG

To help you keep track of any emergency repairs, here are some forms to help you.

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

EMERGENCY REPAIR LOG

To help you keep track of any emergency repairs, here are some forms to help you.

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

EMERGENCY REPAIR LOG

To help you keep track of any emergency repairs, here are some forms to help you.

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

Repair:
Cost of Repair:
Date of Repair:

This consumer guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.

This publication has been produced by the Maryland Insurance Administration (MIA) to provide consumers with general information about insurance-related issues and/or state programs and services. This publication may contain copyrighted material which was used with permission of the copyright owner. Publication herein does not authorize any use or appropriation of such copyrighted material without consent of the owner.

All publications issued by the MIA are available free of charge on the MIA's website or by request. The publication may be reproduced in its entirety without further permission of the MIA provided the text and format are not altered or amended in any way, and no fee is assessed for the publication or duplication thereof. The MIA's name and contact information must remain clearly visible, and no other name, including that of the company or agent reproducing the publication, may appear anywhere in the reproduction. Partial reproductions are not permitted without the prior written consent of the MIA.

People with disabilities may request this document in an alternative format. Requests should be submitted in writing to the Director of Communications at the address listed below.

Maryland
INSURANCE ADMINISTRATION

200 St. Paul Place, Suite 2700
Baltimore, MD 21202
410-468-2000
800-492-6116
800-735-2258 TTY
www.insurance.maryland.gov

www.facebook.com/MdInsuranceAdmin
www.twitter.com/MD_Insurance
www.instagram.com/marylandinsuranceadmin

(5/20)