

Fire Insurance Tips

By David M. Grey, Attorney

Those fire insurance premiums weren't so bad after all and almost seem sweet in the aftermath of the recent devastation. The problem is most property owners have only the vaguest idea of what is covered by insurance and don't know what the claims process entails. While most insurance companies are quick to grab good press during the fires, claims can drag on long after the spotlight is gone. What follows are some suggestions to help fire victims through the insurance claims process.

WHAT IS COVERED?

Look at the specific policy language to know what your rights are. The insurer or agent is obligated to furnish you with a copy of the policy upon request. Get your policy and read it as best you can. Most fire insurance policies will pay for loss due, of course, to fire, but also from wind, explosion and smoke. Fire insurance policies typically cover, not just the structure, but also removal of debris, repairs necessary to protect the property from further damage and lost trees, shrubs and other plants on the property.

DUTIES AFTER LOSS

Notify the insurance company or agent promptly. Make an itemized list of all property lost and all expenses incurred because of the loss. Be detailed, providing as much information about the value of lost items as possible. The insurance company will send someone to look at the property and evaluate the loss. You may be required to sign a sworn proof of loss or give testimony under oath to support the claim. You must cooperate with the insurance company and provide them with all reasonable information requested to help them adjust the loss.

HOW MUCH ARE YOU ENTITLED TO RECOVER?

Residence: Most policies have several different formulas for determining what will be paid on the fire damaged property. Keep in mind that insurance will only pay for that part of the property that has been destroyed. Replacement cost is limited to returning the property into its pre-loss condition and not to satisfy any new building code requirements that may increase the actual cost to rebuild unless otherwise noted in the policy. Actual cash value, is the market value of the property at the time of the fire. This doesn't include the value of the land itself, but only the structures that were built on the property. Typically, it costs more to rebuild than the actual cash value of the property. The maximum amount of money the insurance company is obligated to pay is fixed by the limit of liability section of the policy, unless otherwise specified. The limit of liability will not necessarily equal actual cash value or replacement cost.

Personal Property: You are entitled to receive only the actual cash value at the time the property was damaged not how much it would cost to buy the item new. For example, a lobby couch that cost \$1000 a year ago will be valued at how much that same couch would sell for today used.

WHAT IF YOU DISAGREE WITH THE INSURANCE COMPANY'S VALUATION?

Valuing the loss is where there will be the greatest dispute with the company. You are not stuck with the insurance companies decision and should negotiate as high a value as possible. When you can't agree on the value you can demand an appraisal. An appraisal consists of the insurance company selecting an appraiser, you will select an appraiser and the two appraisers will select a third appraiser. The appraisers then come up with a valuation of the property that binds everyone. You only pay for the cost of the appraiser you selected and split the cost for the third appraiser.

GENERAL DUTIES

The insurance company owes you a duty of good faith and fair dealing. This means that any credible evidence or documentation of your loss must be considered by the insurance company.

Your sworn statement that you owned various personal property should be sufficient in most cases and need not be supported by receipts which were probably lost in the fire. Confirm all dealings with the insurance company in writing. This helps prevent misunderstandings down the road. Last but not least, you have only one year from the date of loss to file a lawsuit. If negotiations drag on get the insurance company to extend the one year suit provision of the policy. GOOD LUCK.

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