

# Northern California Fire Incident

## ***AFTER THE FIRE***

### ***Citizen Assistance Packet***

Immediately after a fire, there are some important steps to take and decisions you need to make to help protect your property and make your recovery easier and faster. The following is a list of Do's and Don'ts compiled by experts in the fire recovery industry:

#### **DO**

- Contact your insurance company immediately to report your loss and provide them with a means of contacting you, either through a message service, via cell phone or pager.
- Arrange for protection of your possessions and the premises.
- Contact a "Board Up" contractor. A list of contractors is located in the back of this packet. Please be advised that the District does not make specific recommendations regarding contractors. This list is only provided for your convenience and lists contractors who have contacted the District asking to be placed on the list.
- If you are a tenant, contact the resident manager, the owner or the owner's insurance agent. It is the responsibility of the owner to prevent any further damage or loss at the site. See that your personal belongings are secure either in the building, or have them moved to another location.
- Contact your local disaster relief services whether you are insured or not. The American Red Cross can immediately arrange for temporary housing, food, clothing, medication, eyeglasses, transportation, money for immediate expenses, or just about any other essential need that has been lost or destroyed by fire. Emergency relief is given regardless of income and no repayment of assistance is expected. See the directory at the back of this packet for additional information.

- If possible, locate and take with you the following items if you are leaving the site of the fire:
  - Identification
  - Vital Medication
  - Eyeglasses, hearing aids or other personal aids
  - Valuables and documents, such as:
    - Insurance policies
    - Check books
    - Credit cards
    - Savings account passbooks/records
    - Money
    - Jewelry
    - Cell Phone and Charger
  
- Notify the following parties of your situation and to where you are relocating:
  - Your insurance agency
  - Your family and friends
  - Your employer
  - Your child's/children's schools
  - Post Office to hold or forward mail
  - Welfare workers
  - Your bank, if checks/account books are lost
  - Telephone company
  - Utility companies
  - Department of Motor Vehicles
  
- Begin now! If you are insured, begin collecting receipts for any money that you spend. Those receipts are important because they will account for any money that you spend in connection to your fire loss, as well as for verifying losses claimed on your Federal income tax.

### ***DON'T....***

- Use any utility until it has been inspected by the utility company or a competent professional.
- Sign anything immediately after any property damage to your home or business. (Be sure to thoroughly read through any order form, contract for work, and your insurance policy, prior to proceeding with any work that relates to your loss.)
- Give anyone “carte blanche” permission to conduct repairs or work on your property. Always insist on being presented with a detailed estimate of work to be done.
- Leave the site until it has been secured.
- Throw away any damaged property prior to conducting a thorough inventory. All damages are taken into consideration when building an insurance claim, and the inventory is important for tax purposes.

- If you have a fire safe, do not open it at this time even if there are important documents inside. If the safe was exposed to the fire, extreme heat may have built up inside the safe, even if it is cool to the touch from the outside. If you open the safe immediately after a fire, the air rushing in combined with the heat inside the safe could ignite the contents.

## ***CLEANING UP...***

Following is a list of things that can be done to rid your home and your belongings of the aftermath of the fire:

### **Clothing**

- Remove all smoky washables from each closet at one time. Freshly washed clothing placed next to smoky items will absorb smoke odors.
- Sort laundry loads very carefully. In addition to normally sorting by fabric color and weight, separate heavily smoke-damaged items from light smoke-damaged items.
- The following formula will often remove smoke and soot from clothing when added to your wash load:

4-6 teaspoons tri-sodium phosphate (goes under the brand name of TSP and can be found in your local hardware store)

1 cup household cleaner, such as Lysol

1 gallon warm water

- Under-load the washing machine. Leave plenty of room for clothes to tumble and turn. If odors remain, wash again.
- Increase the amount of laundry detergent per load by 50 percent.
- Use the hottest water recommended for the fabric.
- Wool, silk and rayon garments should be well shaken and taken to a dry cleaner as soon as possible.

### **Leather and Books**

- Wipe leather goods with a damp cloth, then wipe with a dry cloth. Rinse leather and suede jackets in cold water and hang to dry away from heat and sun, or take to a dry cleaner.
- Books can be dried by placing them on end with the pages separated. After they are dry, pile on top of one another to press the pages and prevent them from crinkling.

### **Food – When in doubt, throw it out!**

- Wash your canned goods in detergent and water. Do the same for food in jars. If labels come off, mark the contents with a grease pencil.

## **Walls and Furniture**

- Seal off the room you are cleaning with plastic wrap to keep soot from moving from one location to another.
- Vacuum all surfaces.
- Change and clean air conditioner/heater filters.
- It is almost impossible to remove smoke odors from pillows. Throw them out.
- Do not use chemicals on furniture. An inexpensive product called flax soap is available at most hardware and paint stores for cleaning wood, including kitchen cabinets.
- Carpeting should be steamed cleaned, shampooed and steam cleaned again.

Smoke and soot embedded in your home can be challenging to remove. Professionals use special chemicals to neutralize soot and smoke odors but at a price that can cost several hundred dollars per treatment. **CHECK YOUR HOMEOWNER'S INSURANCE POLICY** to see if you are covered for this expense. Content restoration companies are listed in the back of this packet.

## ***UNDERSTANDING YOUR INSURANCE POLICY...***

One of the most confusing aspects of your recovery is understanding your insurance policy and navigating your way through the claims process. The following section is intended to familiarize you with standard insurance industry information.

Included in this section is a dictionary of common insurance terms, an explanation of the Unfair Claims Act, an outline of the types of property damage commonly insured, a listing of your rights and duties under your insurance policy, and property insurance conditions as described in a typical insurance policy.

Having provided you with some general insurance knowledge, this section then explores things you will need to know to properly file your claim, such as determining your coverage, dealing with adjusters, and finally submitting your claim. As you read this section you will learn the step-by-step procedure for completing the claims process while being warned of potential pitfalls within that process.

We hope that this information will lessen your confusion and reduce the time it takes for you to return to a normal life. If you still have insurance questions after reading this section, don't hesitate to contact the California Department of Insurance (CDI) or your insurance company. Phone numbers for the CDI as well as major insurance companies are listed in the back of this packet.

## **Insurance Terms and Definitions**

**Accident:** An act that is unforeseen and unintentional

**Actual Cash Value:** Used value or fair market value of an item. Calculated as new (today's cost) less depreciation for wear and tear or obsolescence.

**Adjuster:** An insurance company representative who investigates personal injury and property damage claims and estimate's the insurer's liability in order to effect a settlement with the claimant.

**All-Risk:** An insurance policy covering real or personal property against any loss except those specifically excluded.

**Annual Policy:** A policy issued for a 12-month period.

**Applicant:** An applicant is also known as a client, customer, policyholder, assured or insured. This is the person who owns the property, who has potential liability exposures, or who desires insurance for any reason. This is also the person who is indemnified in case of loss or liability; the person in whose name the policy is issued – the “first party” in the insurance contract.

**Appraisal** (for value in insuring property): An expert evaluation of worth of property to determine amount of insurance needed, based upon market value.

**Appraisal** (for arbitration purposes): A process for determining amount to be paid for loss and damages by a panel of three (3) independent and uninterested experts. Either insurance company or insured can demand the appraisal that is binding for both parties.

**Arbitration:** The resolution of a dispute by a person chosen by the opposing parties, who have agreed in advance to abide by the decision of the third party.

**Binder:** A written memorandum recording an insurance agent's decision to obligate his insurance company to insure a particular risk for a customer. A Binder evidences the existence of the customer's insurance until the insurer formally issues the insurance policy.

**Broker:** An agent of the insured paid a commission by the insurance company and authorized to deliver contracts and collect premiums only on behalf of the insurer.

**Casualty:** Coverage that includes insurance against liability claims.

**Claim:** The assertion of a right to recover money from an insurance company under the terms of an insurance contract.

**Claimants:** Parties or party making formal demand for payment for a loss construed to be covered under the terms of an insurance policy.

## **Insurance Terms and Definitions (Con't.)**

**Coinsurance Clause:** Determines the amount of recovery for partial loss if the property is not insured for a specific percentage of its cash value at the time of loss.

**Consequential Losses:** Losses arising indirectly from an insured peril, e.g. fire damaging refrigeration equipment resulting in food spoilage.

**Constructive Total Loss:** Partial loss where the cost of repairs would exceed the value of the restored property.

**Contingent Business-Interruption Insurance:** Provides monetary payment to the insured if his earnings are reduced because of an insured peril damaging another business on which his business is dependent.

**Contract:** In insurance, an agreement is when an insured pays a sum of money to obtain stipulated benefits from an insurer should specified events occur.

**Declaration:** Shows the limits to the coverage and optional coverage you selected.

**Deductible Clause:** Deductible clauses stipulate that the specified sum or percentage shall be deducted from the amount of loss to the property. The deductible may apply to loss at each structure or location, or to loss in each occurrence. There are straight deductibles that specify deduction of a flat amount. There are diminishing, or disappearing, deductibles that are gradually consumed as the loss increases and disappear when the loss reaches a prescribed amount.

**Depreciation:** A deduction taken during the valuation of an item or property in order to account for the fact that the property is no longer new.

**Draft:** An instrument for transferring funds. A draft looks like a check, but it is distinct in other respects. For example, your insurance company issues you a draft in payment of a claim. You deposit the draft in your checking account. Your bank sends the draft to the bank of the insurance company. The draft is subsequently approved and funds are transferred to your bank. Only at that point can you actually get your money. The process usually requires seven to ten days. Many insureds and claimants encounter problems when they attempt to cash a draft right away and only then learn the difference between a check and a draft. Most insurance companies use drafts.

**Endorsement:** A written change in the policy that either restricts or broadens the original contract of insurance.

**Fire:** Unintended rapid combustion, evidenced by a flame or glow, occurring outside its intended confines, e.g. fire escaping from a furnace.

## **Insurance Terms and Definitions (Con't.)**

**First Party Claim:** A claim made by an insured to his or her own insurance company for a loss he or she has suffered.

**General Agency:** Agency represents a company, as an independent contractor, in a given territory, performing all operating functions for the company, including claims adjusting, collections and underwriting.

**Hazard:** A condition that may create or increase the chance of loss arising from a given peril.

**Indemnify:** To compensate for incurred damage or hurt.

**Independent Agency Companies:** Those companies that market insurance through independent agents who are compensated by commissions.

**Insurance Restoration Contractor:** A contractor specializing in insurance restoration and repairs.

**Insured:** The party to an insurance contract to whom or on behalf of whom the insurer has specific contractual obligations.

**Insurers:** Another name for an insurance company.

**Liability:** One's legal responsibility to compensate another for personal injury or property damage.

**Loss:** Loss is reduction in value. Adjusters sometimes use this term when referring to the damaged property. The words loss, claim, and risk are used interchangeably or synonymously.

**Loss Payee:** Who loaned you the money to purchase your home. You inform the insurance company of the "loss payee" when you acquire your insurance.

**Mortgage Company:** The company that loaned you the money to purchase your home.

**Negligence:** The failure of a person to use such care as a reasonably prudent person would exercise.

**Occurrence:** A sudden event causing loss as well as continuous or repeated exposure to conditions that result in unintended bodily injury or property damage.

**Owner:** The person specifically named in an insurance policy that has the authority to exercise all rights in the policy.

**Peril:** Cause of loss.

## **Insurance Terms and Definitions (Con't.)**

**Personal Lines:** The types of insurance that an individual, rather than a business, is likely to purchase, such as homeowner's insurance, personal automobile insurance, and individual life, health and disability insurance.

**Policy:** A contract of insurance.

**Policy Owner:** Holder of ownership rights in an insurance policy and who may be insured and/or the policyholder.

**Premium:** The money that an insured pays or has agreed to pay to his insurer in exchange for insurance coverage.

**Pro Rata Liability Clause:** Formula whereby various insurance companies covering one property share equitably in any loss.

**Property Insurance Contract:** A personal contract insuring the individual property owner.

**Proximate Cause:** An unbroken sequence of events resulting in damage to property.

**Replacement Cost:** The actual cost of repairing or replacing damaged property without deduction for depreciation.

**Reservation of Rights:** A Reservation of Rights Letter must state that the policy may not cover a claim or the claimed damages may not be covered by the insurance policy. It must be drafted with specificity or the insurer may have waived any policy defenses otherwise available. The effect is that the company can proceed with the adjustment of the claim without admitting liability thus preserving their right to deny the claim.

**Reserves:** Funds that an insurer set aside to cover the expected cost of claims made under policies the insurer has issued.

**Salvage:** Damaged property that has value.

**Smoke:** A mixture of gasses and partially oxidized carbon particles suddenly and accidentally discharged affecting covered property.

**Specified Perils Contract:** Insurance coverage on real and/or personal property in which those perils insured against are specifically listed described.

**Subrogation:** The insurance company might pursue a third party responsible for harming the insured's property.

**Third Party Claim:** A claim made by one person against another, under a liability insurance policy.

## Insurance Terms and Definitions (Con't.)

**Underwriter:** An insurance company employee who has authority to issue insurance policies in return for payment of premiums. The term is also used to refer to insurance companies generally.

### ***EFFECT OF PROPERTY DAMAGE COMMONLY INSURED DAMAGES***

**Buildings are destroyed or damaged by various perils, commonly insured against as fire, lightning, windstorm, hail, explosion, aircraft, vehicles, smoke, sprinkler leakage, water, floor, tidal wave, and earthquake.** These perils are discussed in connection with cause of loss.

- **FIRE**

Fire may consume a building or create enough heat in consuming its combustible material to destroy the value of its noncombustible material. Fire is seldom checked if it gains real headway in an unprotected frame building, and the building is ordinarily destroyed.

**The extent of damage to building materials from the heat that is generated by the combustible parts of the building, but more significantly by the burning of the contents, depends on the temperatures reached and on the length of time the materials are subjected to these temperatures.**

While it is impractical to record either the temperatures that are developed or their duration in a fire of accidental origin, it is sometimes possible to estimate the degree of heat by observing the physical condition of glass, metals, and ceramics in the area after the fire. Heat causes glass to crack at relatively low temperatures and at about 1600 degrees F glass softens. Plaster tolerates fairly high temperatures before flaking and chalking on the surface, with a change in its chemical composition. Paint softens and blisters in the presence of heat. Most wood shrinks slightly as it loses moisture, and boards or timbers of wider dimensions frequently crack. **Wood ignites at approximately 400 degrees F after 20 minutes of exposure.**

The burning of the contents may seriously injure the wooden parts of ordinary brick buildings. **Under sufficient heat, such noncombustible materials as brick, stone, or concrete will crack. Metal parts will soften and, in severe fires, melt.** The softening of metal beams or columns is often followed by displacement of parts of the structure that rest on them. Shoring up a floor that has settled and cutting out and replacing bent or twisted metal girders or beams are expensive operations. Heat from the burning of an adjacent building will crack glass in windows or doors. **Water is used to extinguish fire injuries inside woodwork and, unless drained off or wiped up promptly, may cause wood floors and trim to crack or buckle. Water loosens plaster and wallpaper, discolors paint or decorations, and causes other damage.**

If a large quantity of water is used to extinguish fire in a building filled with closely packed contents such as sisal, rolls of paper, or bulk cottonseed, which absorb the water and swell, the swelling of the contents may force outward, or even break open, the walls of the building. Debris or heavy articles from upper floors may be precipitated by the burning of supporting columns, girders, or joists and cause serious wreckage in the lower parts of the structure. Failing walls sometimes crush or damage other structures.

If the roof has been opened or the windows broken, a building may suffer further damage after a fire has been extinguished, owing to the freezing and bursting of water pipes, tanks, or plumbing. Rain or snow entering through holes in the roof or through broken windows may do serious injury to plaster, inside woodwork, and finish.

### **SMOKE**

Heavy smoke develops when burning materials are deprived of adequate oxygen, preventing complete combustion. **Two types of smoke can occur during a fire.** One type is referred to as **hot smoke**, while the other is called **cool or cold smoke**.

- **Hot smoke** is found relatively close to the fire and **carries the heat of the fire with it. Hot smoke causes the greater damage because it penetrates porous surfaces and because, in contact with cool surfaces, it condenses, leaving heavy tar and resin stains.** Building decorations are readily damaged by such stains and require washing or redecorating or both. **Wallpapers touched by hot smoke generally need replacing.** Window glass becomes coated and must be washed. **Ceramic tile normally has hairline cracks that are almost invisible, and under certain conditions, the hot smoke penetrates through the cracks in the glazed surface and remains in the porous backing.** It is impossible to remove and the tile must be replaced, or an allowance should be made for the damage. Enameled and porcelain plumbing fixtures will suffer less than ceramic tile. Test cleaning is the best way to determine whether there has been any permanent injury to tile or porcelain.

**Stonework, brick, and cement surfaces are difficult to clean after exposure to hot smoke.** Experts should be called in to test-clean such surfaces before an estimate of damage is made. If cleaning or sandblasting is impossible, cement washing, coating or painting may be satisfactory.

- **Smoke that is cold** has traveled some distance away from the fire and has cooled and **condensed in the air before it reaches the surfaces on which it deposits.** It is often in the form of soot. Sometimes vacuum cleaning, brushing, or washing can remove it. **Cold smoke does not leave the characteristic pungent smoke odor left by hot smoke.**

## **DAMAGE DURING FIREFIGHTING**

**A certain amount of damage may be caused by firefighters in gaining entrance to a building or to the rooms in it.** Doors, doorjambs and casings are sometimes broken or chopped, locks may be forced and glass in sash doors may be broken. A common practice in good firefighting is to ventilate the premises. For that reason, firefighters break windows or skylights and occasionally chop through the roof to let out smoke and heat. Firefighters may chop and cut while tracing the course of a fire under floors or in partitions and walls. In fire-resistive multiple store buildings, toilet fixtures are sometimes broken or removed so that the accumulation of water on the floor can be squeegeed to the outlet. In buildings that have wood floors, holes may be bored or chopped to drain off the water to lower floors.

### **WATER**

In some instances water can cause more damage than the fire itself. Water can come from a number of sources when a fire occurs: automatic sprinkler systems and fire hoses, rain or melted snow entering through windows, doors, or openings in roofs and walls after a fire. Water causes varying degrees of damage to finished woodwork, flooring, plaster walls and ceilings, sheetrock, wallboards and interior paint and wallpaper.

**Electrical cable and conduit in walls or floors may suffer damage from water.** Electric motors that have been wet, even those submerged for a short time, can under most conditions be “baked out” (dried) if handled promptly.

Well-seamed woods, if unfinished, absorb water up to about 25 percent by weight, during which time swelling occurs. Plaster softens in the presence of water, and wallboards frequently expand and warp, some of them permanently. The glue on wallpaper softens and the wallpaper may peel off. Water behind paint, particularly enamels and semiglazed surface paints, forms small blisters full of water.

The weight of water (64.5 pounds per cubic foot) which has been absorbed by certain types of contents, such as paper or fabrics, may cause collapse of wood beams, girders, and sometimes entire floor structures.

Water that freezes during or shortly after a fire, causes further damage by expanding in plaster, water pipes, toilet bowls, traps and hot-water or steam heating systems.

# ***PROPERTY INSURANCE POLICY AND CONDITIONS***

The following are important policy conditions (and verbiage) you will find in a typical insurance policy. These are conditions standard in every policy.

## **REQUIREMENTS IN CASE LOSS OCCURS**

The insured shall give written notice to the insurance company of any loss without unnecessary delay, protect the property from further damage, forthwith separate the damaged and undamaged personal property, put it in the best possible order, furnish a complete inventory of the destroyed, damaged and undamaged property, showing in detail quantities, costs, actual cash value and amount of loss claimed; and within 60 days after the loss, unless such time is extended in writing by the insurance company, the insured shall render to the insurance company a proof of loss, signed and sworn to by the insured, stating the knowledge and belief of the insured as to the following: the time and origin of the loss, the interest of the insured and of all others in the property, the actual cash value of each item thereof and the amount of loss thereto, all encumbrances thereon, all other contracts of insurance, whether valid or not, covering any of said property, any changes in the title, use occupation, location, possession or exposures of said property since the issuing of the policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of loss and whether or not it then stood on leased ground, and shall furnish a copy of all the descriptions and schedules in all policies and, if required and obtainable, verified plans and specifications of any building, fixtures or machinery destroyed or damaged. The insured, as often as may be reasonably required, shall exhibit to any person designated by the insurance company all that remains of any property herein described, and submit to examinations under oath by any person named by the insurance company, and subscribe the same; and, as often as may be reasonably required, shall produce for examination all books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the insurance company or its representative, and shall permit extracts and copies thereof to be made.

*As evidenced by this excerpt from a typical policy, it is of utmost importance that you maintain thorough records, documenting even the slightest detail of your loss!*

## **ABANDONMENT**

There can be no abandonment to the company of any property.

## **APPRAISAL**

In case the insured and the company shall fail to agree as to the actual cash value or the amount of loss, then on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within 20 days of such demand.

The appraisers shall first select a competent and disinterested umpire; and failing for 15 days to agree upon such umpire, then, on request of the insured or the company, such umpire shall be selected by a judge of a court of record in the state in which the property covered is located.

### **APPRAISAL (Con't.)**

The appraisers shall then appraise the loss, stating separately actual cash value and loss to each item; and, failing to agree, shall submit their differences, only, to the umpire. An award in writing, so itemized, of any two when filed with the company shall determine the amount of actual cash value and loss. Each appraiser shall be paid by the party selecting him and the expenses of appraisal and umpire shall be paid by the parties equally.

### **BUILDING CODES**

Most insurance policies do not provide coverage for additional cost incurred to upgrade the structure to current building codes.

### **COMPANY'S OPTIONS**

It shall be optional with the company to take all, or any part, of the property at the agreed or appraised value, and also to repair, rebuild or replace the property destroyed or damaged with other of like kind and quality within a reasonable time, on giving notice of its intention to do so within 30 days after the receipt of the proof of loss herein required.

### **MORTGAGE CLAUSE**

This clause is contained in most building policies where a mortgage is involved. It requires your insurance carrier to place the name of the mortgagee on any payment made under the building coverage.

### **REPLACEMENT COST COVERAGE**

Many policies contain coverage for the full replacement cost for damaged or destroyed property subject to certain conditions. One of these conditions is that the property must first be replaced. Prior to replacement, you will be paid the actual cash value.

### **SUBROGATION**

The company may require from the insured an assignment of all right of recovery against any party for loss to the extent that the company therefore makes payment.

### **SUIT**

No suit or action on this policy for the recovery of any claim shall be sustained in any court of law or equity unless all the requirements of the policy have been complied with, and unless commenced within 12 months next after inception of the loss.

### **WHEN LOSS PAYABLE**

The amount of loss for which the company may be liable shall be payable 60 days after proof of loss, as herein provided, is received by the company and ascertainment of the loss is made either by agreement between the insured and the company expressed in writing or by the filing with the company of an award as herein provided.

### **YOUR RIGHTS AS AN INSURED**

- The insurance company has a duty to investigate and pay any just liability claims made against you.
- The insurance company has a duty to defend you if you are being sued for a covered claim.
- The liability policy states:  
The insurance company will pay damages that an insured person becomes legally obligated to pay because of bodily injury or property damage arising from an accident. The insurance company may investigate or settle any claim or suit for damages against an insured person. If an insured person is sued for damages, the insurance company will provide a defense counsel of their own choice even if the allegations are groundless, false, or fraudulent.

### **YOUR DUTIES UNDER THE LIABILITY POLICY**

- You must notify the insurer promptly of any accident that injures someone or damages property.
- If the insured claimant sues you and serves you with a summons and complaint you must send these papers to the insurer.
- You must cooperate with the insurer in defending the lawsuit against you.
- You must not VOLUNTARILY PAY ANY MONEY TO THE CLAIMANT, AGREE TO ANY SETTLEMENT WITH THE CLAIMANT, or incur any expenses on behalf of the claimant without the insurer's prior consent.

### **YOUR DUTIES UNDER THE PROPERTY POLICY**

- The insured shall give written notice to the company of any loss without unnecessary delay.
- The insured shall protect the property from further damage.
- The insured, at the option of the company shall render a proof of loss within sixty days.
- The insured shall submit to an examination under oath when requested.  
Insured shall do what is possible to reduce the amount of the loss.
- The claims representative or adjuster owes the implied covenant of good faith and fair dealing to be completely candid with the insured/claimant.  
The claims representative or adjuster owes a duty to disclose all coverage that may be applicable to a given set of circumstances pertaining to any claim.

## **UNFAIR CLAIMS SETTLEMENT PRACTICES MODEL ACT**

In 1947 the National Association of Insurance Commissioners (NAIC) drafted a **model** Unfair Trade Practices Act related to the business of insurance. In 1971 the model act was reviewed and rewritten by the NAIC (No. 790.03 of the California Insurance Code.)

The following is California's version of the Unfair Claims Settlement Practices, each state will have written their own based upon the NAIC's draft, check with your state insurance commission. The California Act prohibits the following:

- Misrepresenting pertinent fact or insurance policy provisions relating to coverage at issue;
- Failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies;
- Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies;
- Refusing to pay claims without conducting a reasonable investigation based upon all available information;
- Failing to affirm or deny coverage of claims within a reasonable time after proofs of loss statements have been completed;
- Not attempting in good faith to effectuate prompt, fair and equitable settlement of claims in which liability has become reasonably clear;
- Compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds;
- Attempting to settle a claim for less than the amount to which a reasonable person would have believed he or she was entitled by reference to written or printed advertising material accompanying or made part of an application;
  - Attempting to settle claims on the basis of an application that was altered without notice to, or knowledge or consent of, the insured.
  - Making claim payments to insureds or beneficiaries not accompanied by statement setting forth the coverage under which the payments are being made;
  - Making known to insureds or claimants a policy of appealing from arbitration awards in favor of insureds or claimants for the purpose of compelling them to accept settlements or compromises less than the amount awarded in arbitration;
  - Delaying the investigation or payment of claims by requiring an insured, claimant, or the physician of either to submit a preliminary claim report and then requiring the subsequent submission of formal proof of loss forms, both of which submissions contain substantially the same information;
  - Failing to promptly settle claims, where liability has become reasonably clear, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage;
  - Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.

**THE MOST NOTABLE OF THE VIOLATIONS OF THIS ACT ARE AS FOLLOWS:**

- Failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.
- Failing to adopt and implement reasonable standards for prompt investigation and processing of claims arising under insurance policies.
- Failing to affirm or deny coverage of claims within a reasonable time after proof of loss requirements have been completed and submitted by the insured.
- Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear.
- Failing to provide promptly a reasonable explanation of basis relied on in the insurance policy, in relation to the facts or applicable law, for the denial of a claim or for the offer of a compromise settlement.

**APPLICATION**

The form upon which the applicant presents a request for insurance is called the application. **The basic part of the application contains the essential elements of the insurance requested, such as the applicant's name and address, the type and amount of coverage desired, and the proposed effective date.** The application ordinarily is printed by the insurer and completed by the producer or agent on behalf of the applicant. It may or may not include a binder.

**Applications are signed and dated.**

The application almost always includes another section, which is a questionnaire or producer's report. It is designed to elicit information that will help the underwriter determine if the applicant appears to meet the eligibility requirements of the company. **The producer's report contains many items of underwriting information.** The extent of the questions vary by company and by line.

In each case, the data relates **to** the underwriting rules of the company and each item is considered to be important to the underwriter. **Producers are expected to complete all sections and to answer all questions.**

**Be sure to review your application, whether written by yourself or your insurance agent, to check for any inaccurate information. Your policy may be voided if there are any false or inaccurate statements on the application.**

Answers to various questions on the application provide many clues on the risk being contemplated. Examples pertaining to property are:

**Indications that property has depreciated heavily in value.**

**A loan on the property approximates the value of the property.**

**Careless housekeeping or poor maintenance.**

**Construction of building, age and conditions of roof.**

Producers usually are asked for recommendations, either specifically or by implication. **Producers are expected to perform a preliminary screening, a type of field underwriting. They see the applicant and the property that is an advantage seldom available to an underwriter; they are, therefore, in a good position to recommend the risk.**

**Underwriters often accept risks with no changes in coverage for which application is made. If the producer has done a good job of submitting the application in conformity with the rules of the company and if no adverse information is developed, the risk will be accepted as requested.**

### **BINDERS**

**Some producers are authorized to bind insurance with certain companies--that is, they can give temporary protection to the applicant until such time as the underwriter can see the application and take action upon it.** The actual binder or binding slip is a written memorandum of important terms of coverage that is temporarily provided.

**A binder is effective for a stated period.** Ordinarily it is replaced by a policy that has the same effective date. If the underwriter does not wish to write the insurance, the binder can simply be allowed to expire. However, it is customary in most lines to take affirmative action to cancel the coverage.

**An agent has authority to bind the company, either verbally or in writing, on risk and on coverage, which are within his or her authority.** No written form is needed, but applicants, understandably, sometimes request written confirmation. Some companies print the binder as part of the application in order to save the need for a second form.

### **HOW TO READ AN INSURANCE POLICY**

Because an insurer is obligated to pay the insured only under circumstances specified in the policy, **the policyowner must know the answers to at least three fundamental questions:**

- 1. What events are covered?**
- 2. How do I collect?**
- 3. How much should I collect?**

The answers to the above are in the policy. **Even so, owners seldom read their insurance contracts until a loss occurs, and often not then.** Because losses are few compared with the number of policies written, an insurance contract may be the nation's number one "unread" best seller.

**An insurance policy is the contract between the policyowner and the insurer.** It may be a short, uncomplicated **agreement** like the limited coverage accident policy newspapers offer with subscriptions, or a long, complex document with agreements insuring properties throughout the world. Regardless of the length and complexity, **the policy defines the rights and duties of the contracting parties.**

Insurance policies all **have** the same components: **declarations, insuring agreements, exclusions and conditions.** Many policies also have endorsements or riders. Some policies are standardized; others are not.

**Declarations** are descriptive materials relating to **subjects covered, persons insured, premiums charged, period of coverage, policy limits and warranties or promises made by the insured** regarding the nature and control of the hazard. Declaration pages also list **all forms** and endorsements comprising the policy of the issued to the insured.

**Insuring agreements** broadly define coverage in an insurance policy. For example, in most liability policies these agreements cover claims against the insured arising from specified court actions. They also obligate the insurer to defend any liability suit brought against the insured if the court action is covered under the policy.

**Definitions** of important policy terms may also be found in insuring agreements.

**Exclusions** reduce the broad coverage provided in the insuring agreements. When reading their policies, policyowners soon find that some of what the insurer giveth in the insuring agreements it taketh away in the exclusions. **The positive effect of exclusions is to lower the price of insurance.**

To determine the protection a policy offers, a systematic approach is useful. **Seven questions must be answered to learn if a given event is covered.**

1. **Is the peril covered?**
2. **Is the property covered?**
3. **Is the type of loss covered?**
4. **Is the person covered?**
5. **Is the location covered?**
6. **Is the time period covered?**
7. **Are there hazards that exclude or suspend coverage?**

If the answer is no to any of these questions, the event may not be covered. **Finding the answers requires a thorough reading of the policy.** In some policies, coverage may appear to be found only to be lost by a subsequent exclusion. **However, one should not stop at this point because the coverage may be reinstated by a supplementary coverage clause, an endorsement or rider, or by an exception to an exclusion found later in the policy.**

**In addition, four other questions are important to the policyowner in analyzing a policy:**

1. **What are the policy owner's duties after a loss?**
2. **What are the insurer's options in settling a loss?**
3. **What are the time limits for the policy owner to bring suit against the insurer?**
4. **What are the time limits for the insurer to pay a claim?**

## HOW TO SUBMIT A CLAIM

**Information needed:** (if known):

- Name
- Address
- Telephone (Residence and Work)
- Special I.D. or Social Security Number
- Where you can be contacted
- What time can you be contacted
- Insurance policy number
- Insurance policy dates
- Date and time of accident
- Type of accident or loss
- Description of accident or loss
- Names, addresses & telephone numbers of witnesses
- Police or Fire Department to whom the incident has been reported
- Probable amount of damage

## ADJUSTERS

There are three categories of adjusters. A **Staff Adjuster** is an employee of an insurance company and adjusts claims for that company only. An **Independent Adjuster** is a kind of freelance adjuster. Contacted on an hourly fee basis by an insurance company, the independent adjuster adjusts claims on behalf of that company. The **Public Adjuster** is a person who is hired by the insured to represent them in the presentation of a claim. They are paid by the insured on a contingency fee basis. The fee is generally between 5% and 15% of the final settlement.

Regardless of the adjuster used, the adjustment process is the same and involves checking coverage, investigating the claim and filing necessary reports.

In working with adjusters your goal should be to help them conclude your case quickly and with the most favorable settlement possible. There are three things to remember that will help you achieve this goal:

**Ask questions.** You have a right to know what your policy covers, what the adjuster is going to do for you and when you can expect payment. Don't take anything for granted.

**Get verification.** It is a good idea to take pictures of your damaged property, to take an inventory on your own, and to get all agreements with your adjuster in writing.

**Be cooperative.** Remember that the easier it is for your adjuster to get the information he or she needs from you, the quicker your claim can be processed.

### **A WORD OF CAUTION:**

It is important to maintain a healthy suspicion of anyone who arrives at your property offering his or her services. Just as you may be pleased by the outpouring of support you may receive from all sorts of people, you must be on guard against people who may seek to take advantage of you at your time of vulnerability. Be sure to ask any strangers at your home or place of business after a disaster for identification, especially those who offer their services for a fee. Most states require that public adjusters and contractors are licensed, and any reputable public adjuster or contractor will be happy to provide appropriate documentation. Any staff or independent adjuster should have identification from the company they are employed by.

*As a general rule, do not sign anything immediately after you have suffered property damage and never agree to something you do not understand or are not comfortable with.*

### **THE CORRECT WAY TO SEND BILLS TO THE ADJUSTER**

**If you have the original bill, send it.** (You can keep the copy, or you can easily obtain another "original" copy.) **If you send the original, you have guaranteed that the adjuster has a nice, neat, clear copy of the bill.** The adjuster gets no benefit from having a copy that he cannot read.

**Tape each bill on a separate page** (no more than two bills per page) even if the bills are only cash register receipts. **On top of the carefully separated bills, place another sheet on which is typewritten the following information:**

- 1. The names of the providers of the services.**
- 2. The amounts of each bill.**
- 3. The total of all of the bills at the bottom. Staple the calculator tape to confirm the correctness of your addition. (The adjuster would have to do this with his calculator, so let him know that you have already done it for him).**
- 4. Make copies for yourself.**

**Now that the adjuster has the bills in his hand, tell him why each of the services was needed, or what the specific nature of the bill means in terms of how much he should be paying (and should be expecting to pay) in the future.**

Once you have provided a fully documented claim to present to the adjuster, give the adjuster something to work with. The adjuster works with numbers. Now the adjuster has the right to ask you one more question. **"What do you want from me?"** On one page, **state simply and clearly the exact dollar figure you expect to be paid for your claim.** Don't make the adjuster guess. Don't mince words. Don't leave anyone wondering what, in terms of dollars and cents, you feel your claim is worth.

## **FORMS AND DOCUMENTATION**

**Medical Authorization.** One of the first things that the claims representative will seek from a bodily injury claimant is a signed medical authorization. Usually the authorization is very broad in scope and is a carte blanche authorization to go into the medical background of the claimant.

**Employment Records Authorization.** An employment authorization form usually allows the claims representative to secure any employment data on the claimant. Such data might include the application form for employment, the right to interview the claimant's supervisor, a copy of the claimant's personnel file and all payroll records. This form is used in processing claims for bodily injury, as is a medical authorization.

## **EXAMINATION UNDER OATH**

As often as may reasonably be required, the insured must submit to examination under oath by any person designated by the insurer and must sign the written record of the questions and answers. When an examination is to be required, the insured should be notified in writing, the notice stating a definite time and place for the examination, and also the name of the person designated to conduct it.

An examination may be required for the purpose of obtaining information or of committing the insured to known facts. An examination may serve the purpose of committing the insured to facts establishing a breach of the policy contract or to statements and figures bearing on the amount of loss. An examination may be conducted to shake the purpose of an insured that is pressing a fraudulent or exorbitant claim. **It is recommended that the insured seek legal counsel for any examination under oath.**

## **DISPUTE RESOLUTION**

Because of the enormous cost and energy that goes into insurance litigation, most insurance companies are looking for alternative methods to resolve coverage disputes between the insurer and the insured. The most common alternatives are:

### **Mediation**

Mediation is a form of resolving disputes without a formal complaint. The mediator is chosen and the two parties in mediation are generally sharing the cost. The mediator's job is to limit issues and get down to the basic dispute between the parties. The mediator will bring the parties together to discuss the strong and weak points of each party's position. The mediator may make recommendations as to legal issues as well as issues of damage.

### **Private Judge**

A private judge usually is a retired superior court judge. These individuals usually will hear a case just like they did when they were sitting on the bench. Both parties present their case and then the judge makes a decision.

## **Arbitration**

Arbitration is voluntary under the alternative dispute resolution program. There may be more than one arbitrator. The number of arbitrators is agreed to among the parties presenting the dispute for arbitration. The arbitration may be binding or non-binding, depending upon the wishes of the parties of the dispute.

## **Appraisal**

Appraisal is used when there is a monetary dispute between the insurer and the insured on a property loss. When this occurs, an appraisal is demanded by either one of the two parties; then each party will select an appraiser who will then meet and mutually select an umpire who will resolve any dispute between the appraisers. Each party pays for his or her own appraiser and shares the cost of the umpire.

## ***AFTER THE CLAIM***

**Be sure to notify your insurance carrier if you pay off or reduce your mortgage or loan on your property or contents, even after the loss. Also notify your insurance carrier if you make any large purchases or make additions to your home or business, thus affecting your policy limits.**

## **INDEXES**

There are different categories of index companies: bodily injury, vehicle and property damages. Since this handbook is for victims of property damage, the information provided excludes bodily injury and vehicle index companies.

## **PROPERTY DAMAGE**

All property damage claims in excess of \$2,500.00 are listed in the Property Insurance Loss Registry. This index lists all individuals involved in property claims. The individuals consist of the named insureds, agent/broker of record, adjuster of record as well as any contractors involved in the repair and restoration of the property.

**DIRECTORY (As of 6/2006)**

**Emergency Service Centers**

American Red Cross - HelpLine 925-294-7800 (24 hour)

Salvation Army 925-803-0564

Military Discharge Papers - Local Veterans Administration 1-800-827-1000

Passports: 1-415-538-2700

Birth, Death, Marriage, Divorce Certificates: Bureau of Records in the State that the event occurred. For Contra Costa County: 925-646-2360

Social Security cards/Medicare cards: 1-800-772-1213

Credit Cards: The issuing company, as soon as possible

Titles to Deeds: Records Department of City or County in which the property is located. For Contra Costa County: 925-646-2360

Stocks and Bonds: Issuing company or your broker

Wills/Trusts: Your Lawyer

Medical Records: Your Doctor

Warranties: Issuing Company

Income Tax Records: The Internal Revenue Service where you filed or your accountant.  
I.R.S.: 1-800-829-4477

Auto Registration/Title Cards: Department of Motor Vehicles: 1-800-777-0133

Citizenship Papers: U.S. Immigration and Naturalization Service: 1-800-870-3676

Prepaid Burial Contracts: Issuing company

Animal Registration Papers: Animal Control. In Contra Costa County: 925-335-8300

**Utilities (As of 6/2006)**

P. G. & E. 1-800-743-5000

Phone Repair - Pacific Bell 1-800-310-2355

East Bay Municipal Utility District 1-510-835-3000

## **Insurance Carriers (As of 6/2006)**

California Dept. of Insurance (800) 927-HELP  
Allstate 1-800-ALLSTATE  
Chubb Group 1-800-252-4670  
Farmers Group 1-800-435-7764  
Fireman's Fund 1-888-347-3428  
Safeco 1-800-332-3226  
State Farm 925-847-2500 (Tri-Valley area)

Please let us know if any of these contact numbers are wrong, or if you obtain additional resource contacts that may be helpful to future users. We sincerely hope that this document has been helpful.

## **REPLACEMENT OF VALUABLE DOCUMENTS AND RECORDS**

The following is a checklist of documents you will need to replace if they have been destroyed, and who to contact for information on the replacement process:

<u>ITEM</u>	<u>WHO TO CONTACT</u>
Drivers License	Local Department of Motor Vehicles
Bank Book	Your bank, as soon as possible
Insurance Policies	Your Insurance Agent

