



EXPERTS IN PROPERTY DAMAGE RESTORATION & RECONSTRUCTION

What to expect after your property is affected by a loss

These are just a few questions that we feel will help you in finding key answers regarding the process, in the event your property has been damaged. Your Insurance adjuster or agent should be able to help answer most of these. However, we are certain it will benefit you to have a better understanding of how the process may look from a contractor's experience.

We want to be clear, the following information is purely intended to be used as a help in understanding the restoration/reconstruction project and the claim process from a contractor's perspective. We cannot speak directly for your insurance company and do not intend for this to be construed as professional insurance related consulting. Any terminology used in this information in reference to insurance guidelines is based on All Star's experience as a General Contractor. Please consult your insurance agent or insurance company directly if you have any questions about your specific policy or claim.

Understanding the basic purpose of your insurance policy.

In short, a standard policy is meant to "indemnify" you or "make you whole" following a loss, but NOT to pay you more than the value of your damaged property or to allow you to make a "profit" on a loss.

Most policies will contain language similar to the following:

"We will pay the cost to repair or replace with similar construction and for the same use on the premises, subject to the following: until actual repair or replacement is complete, we will pay only the actual cash value at the time of the loss of the damaged property."

How much coverage do you have for your "dwelling" (structures)?

How much coverage do you have for your contents?

What is the total Replacement cost value of damages to your property?

How much is your deductible?

This amount could vary greatly depending on the loss, and the type of damage. If you have a 2% windstorm deductible on a \$200,000 policy, you will need to be prepared to pay the first \$4,000 of your loss. If you are being advised to find a contractor that will “refund your deductible”, we suggest you find new advisors. This is an unavoidable issue, and trying to “beat it” is both unethical and illegal. In some cases, there are ways the insurance company may allow for the insured to provide physical labor or services for a project and earn dollars (sweat equity) that can help pay the deductible down or in full. Ask us how, and we will give more details.

Is the policy written for Replacement Cost Value (RCV) or Actual Cash Value (ACV)

What is the difference between RCV and ACV?

An RCV policy (Replacement Cost Value) is generally designed to cover the full cost of repairs or replacement of your damaged property, based on costs determined today. On a \$100,000 loss that has been depreciated by 30%, you should receive an initial check for \$70,000. You would then be eligible to receive the remaining funds (\$30,000) once you have verified that the work is complete or near completion and it did in fact cost the full \$100,000 to complete the repairs. Although in almost every loss, you will still be responsible for the deductible, even with an RCV policy.

An ACV policy (actual cash value) is designed to pay for costs to repair or replace your property, minus any appropriated depreciation. On a \$100,000 claim for property that is aged, you may see an overall depreciation around 30-40%. Of course this will vary based on the various age of the items that were damaged. However, if the claim is depreciated at 30%, this means you should receive one check for \$70,000, but will have no grounds or ability to obtain any of the depreciation.

What if I can find a contractor to do my job for \$90,000 on a \$100,000 RCV loss? Don't I get to keep the extra \$10,000?

No. To be clear, the insurance company only owes you for what it actually cost you to complete the repairs. The only way to gain that extra \$10,000 is to ask a contractor to invoice you for his final estimate of \$90,000 and then create a second invoice to send to your insurance company for \$100,000. You should know, this is absolutely illegal and the moment this takes place you and the contractor may have just committed insurance fraud. Our belief is, if a contractor is willing to lie to an insurance company to "benefit" you, he's probably willing to lie to you for his own benefit.

What is Co-Insurance?

Ask your agent!

What about new building codes?

Most policies have coverage for issues related to Ordinance & Law, but may be limited.

Do I have to get three bids?

Not necessarily. In our opinion, the most important issue is finding a contractor that will work with your adjuster in agreeing on the scope of damage and related costs. If the contractor's prices are higher than the adjuster and is unwilling to perform the work for the insurance claim total determined by the adjuster, you may have to look elsewhere.

What about pre-existing damage?

Good question. Here's an example. If the insurance company has agreed to remove and replace all the drywall only in one room and the studs were not damaged by the covered peril, but the stud walls behind the drywall have been affected by termite damage. A contractor cannot replace the drywall until the termite damaged studs have been replaced. In this case, the homeowner is responsible for the costs related to replacing the studs because it was "pre-existing" damage.

What allowances or limits does the policy have for exterior structures, trees, fencing, or signage?

Many policies have strict limits that have minimal allowances for some of these items. For example, if your property has numerous tall trees that are uprooted during a storm, but simply fall on the ground, (and are not blocking access to your property) your policy may have no provision to cover the cost of removing the trees. However, if they land on a covered structure, it is generally covered based on limits listed in your policy.

Are your contents also listed under an RCV policy?

If your building coverage is written up as "RCV", it may not necessarily mean that your contents are as well. If they are in fact covered under an "ACV" policy, this could result in a significantly lower claim settlement in the event of a total loss.

Will my mortgage company get involved?

If you have a mortgage, then yes almost certainly. Generally, the insurance company will make payments that assign both you and the mortgage company as payees. You would then sign the check and release it to the mortgage company, who may then ask to see documents proving that you are in fact repairing the property. They may also choose to make sight inspections to verify this fact and then will generally make payments in three to four installments that also help insure that a homeowner is using the insurance funds as they were intended.



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