Disaster Recovery

The Role of Insurance Following a Disaster
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Disclaimer

The information in this presentation is intended to provide a general overview of the issues contained herein and is not intended, nor should it be construed, to provide specific legal or regulatory guidance or advice. If you have any questions or issues of a specific nature, you should consult with appropriate legal or regulatory counsel to review the specific circumstances involved.
What is Homeowners Insurance?
A policy that combines coverage against the insured’s property being destroyed or damaged by various perils and coverage for liability exposure of the insured.

Read Your Policy
Knowing exactly what is in your insurance policy will help to ensure that you will be protected if a loss occurs.

It is important for you to read and understand your policy, know what is covered and excluded.

A helpful tool is a declaration page found in your policy. A declaration page summarizes some of the basic contents of your policy and not every important detail will show up in this document. It’s usually the first page of your insurance policy.

Principle of Indemnity
Restore to same condition as before the loss. Not set up to make you better than before the loss.
Homeowners Insurance Declaration Page

• Your insurance company provides a declaration page that summarizes the coverage provided by your homeowners insurance policy.

• Notes the most pertinent information regarding your policy.

• Understanding the details of your homeowners insurance declarations page will help you get the most out of your policy.

• If you have a mortgage, your mortgage company may require you to provide an up-to-date declarations page, annually, as proof of your homeowners insurance, to ensure you have adequate financial protection for your house.
Homeowners Insurance

The policy is divided into two sections:

Section I. Property Coverage
Coverage A – Dwelling: House and structures connected to the house.
Coverage B - Other Structures: Detached Structures such as fences and sheds.
Coverage C - Personal Property: Contents
Coverage D - Loss of Use/Additional Living Expenses: Hotel room when house is uninhabitable.

Section II. Liability Coverage
Coverage E - Personal Liability: This is a higher limit coverage that covers incidents that you are legally responsible for.
Coverage F - Medical Payments to Others: Injury to guest regardless of who’s at fault.
Endorsements

- The homeowners policy is designed for the “average” homeowner.

- The insured can purchase endorsements to modify coverage under Section I and Section II.

- Some items may exceed the limits of the policy, even with endorsement coverage. In this instance, you should consider purchasing a personal article policy for additional coverage.
Section I: Property Coverage

Flooding
Earth movement

Neglect/maintenance – the insured’s failure to save and preserve property after a loss, or to protect it from loss.

War

Intentional Loss - losses caused by the insured or by someone else at the insured’s direction.

Concurrent causation exclusions
Vandalism and malicious mischief, or glass breakage if the home has been vacant for more than 30 consecutive days.
Section II: Liability

Intentional acts - liability for injury or damage that is expected or intended by the insured.

Motor vehicles - liability arising out of ownership, maintenance, use, loading or unloading of motor vehicles.

Watercraft - liability arising out of ownership, maintenance, use, loading or unloading of aircraft. Liability arising out of war and war-like acts, such as insurrection and rebellion.
Types of Deductibles

The deductible is the policyholder’s responsibility, and usually applies to Section I and not Section II. See policy language and provisions for your specific coverage.

- Expressed as fixed amount or percentage
- There is one deductible applied, per occurrence
- All Perils Deductible – usually a set amount
- Wind/Hail Deductible (usually 1 to 2 percent)
- Hurricane/Named Storm Deductibles (usually 2 to 5 percent)
- Declared hurricane or named storm
- Most companies have implemented hurricane deductibles
- Required disclosure, LA R.S. 22:1332 B (6)
- One hurricane deductible per year, LA R.S. 22:1337
Flood Insurance

• Homeowners insurance policies **do not** cover flooding.

• Flood insurance is only meant to get you back on your feet.

• Typically, there is a 30-day waiting period for a policy to take effect.

• A lender will require flood insurance **on your structure only** if you are in a high-risk flood zone.

• It’s a good idea to buy flood insurance on your contents as well. It’s wise to purchase even if in a preferred flood zone (B,C, and X).

• Contact the National Flood Insurance Program (NFIP)
  o 1-800-638-6620
  o Mandated by law to refer you to a servicing agent.
  o [https://www.floodsmart.gov/flood-insurance/providers](https://www.floodsmart.gov/flood-insurance/providers)
  o Most agents sell flood insurance through NFIP.
Replacement Cost vs Actual Cash Value

- **Replacement Coverage** - the cost of replacing an item without deducting for depreciation. For example, if the current cost of a television, similar to the one you bought seven years ago, is $2,000, you will receive the full $2,000. Most policies require you to replace the item in order to receive reimbursement.

- **Actual Cash Value** - the replacement cost of the item minus depreciation. For example, if a new television set costs $2,000 and your 7-year-old television set is damaged in a fire, you may end up receiving only $1,200 because of depreciation of your television’s value over time.

- Check your policy to see which kind of coverage you currently have. If you have actual cash value and would prefer replacement coverage, it may be added to your policy for an increase in your premium of about 10 to 15 percent.
Preventive Home Maintenance

• **Inspect your roof.** Make sure it is ready to stand up to hurricane season.

• **Check gutters.** Clogged gutter can cause your roof to leak and infiltrate water into the home.

• **Trim or remove trees.** Remove branches that overhang the house and remove dead, dying, or diseased trees.

• **Install a home surge protector.** Help keep electrical equipment safe from power surges.

• **Complete a Home Inventory List.** Store a copy in a safe place – update your list.
Post Disaster Steps to Recovery
After the Storm: Clean Up

• Contact an agent or the insurance company to report damage as soon as possible. Make sure you know the name of your insurance company.

• When safe and orders to return are granted, inspect your home for damages.

• Open windows and doors to dry out the house.

• Take pictures and video of the damage that occurred both inside and outside before you begin to clean up.

• If possible, make temporary repairs to your property to prevent further losses and to secure the property. This process is called mitigation.
Claims Process

• To file a claim, contact your insurance agent or company as soon as possible. Ask about forms or documents you will need to support your claim.

• Document the damage

• You may be required to file a satisfactory proof of loss, and your adjuster or insurance company can help you with this.

• If the cost to repair the damage is not much more than your deductible, you might want to pay for the repairs without filing a claim.
Timeline

- **Adjuster:** 14 days to assess the damaged property and in case of declared state of emergency (presidential or gubernatorial disaster) 30 days to assess the damaged property.  
  \[ \text{R.S. 22:1892 A(3)} \]

- **Insurance Company:** 30 days to pay amount of the claim after receipt of satisfactory proof of loss from the insured.  
  \[ \text{R.S. 22:1892 A(4)} \]

- **Insured:** When a catastrophic event occurs and civil officials declare a state of emergency, the insured shall have 180 days from the date of the event to submit a proof of loss claim with the insurer.  
  \[ \text{R.S. 22:1264} \]
How long will it take for my insurance claim to be resolved?

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 be 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.
What if I’m not satisfied with the amount of my insurance payment?

Your payment 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 insurance company denies any part of the claim, ask for the denial in writing. Keep all paperwork.

If you don’t believe the offer is fair, call the insurance company. Be prepared to explain why you think the offer is unfair. If you’re not satisfied with the response, contact the Louisiana Department of Insurance.
What if the insurance company doesn’t agree with the damage estimates from my public adjuster or my contractor?

Differences in construction estimates are common. Ideally, you and the insurance company should reach 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 insurance company needs, including written estimates from contractors, the adjuster will calculate the total cost. If you disagree with the claim amount the adjuster has calculated, you can settle the disagreement without going to court through appraisal or arbitration.
If you believe your insurance company has not handled your claim properly, you may file a complaint with the Louisiana Department of Insurance. We will determine whether your insurance company has followed Louisiana law and abided by the terms of your policy in processing your claim.

Helping you negotiate your insurance disputes is one of the most important services we provide.

You can file a complaint online or download a printable version by visiting the department’s webpage at www.ldi.la.gov or you can call and speak to an insurance specialist at 1-800-259-5300.
Office of Consumer Advocacy and Diversity

1-800-259-5300

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