Tips on Filing Homeowner's Insurance Claims

Whether your home was damaged by Hurricane Katrina or Rita or by other causes—or whether it has been spared—it is important to know what to do and what to expect when you file a claim for losses under your homeowners insurance policy.

Having paid premiums for years to be covered in case of a disaster, you will want to do whatever is necessary to make certain that you will be properly compensated for your loss and help to speed your family's return to a normal life.

The Insurance Information Institute (III) has established a hurricane insurance information center at www.disasterinformation.org to provide helpful information for:

- Your insurance company, in case you don't know how to contact your agent.
- Your state's insurance department.
- The federal government's National Flood Insurance Program (800-427-4661), in case you have flood insurance through it but don't know who your insurer is.

The III's publication, "Settling Insurance Claims after a Disaster," is also well worth reading. The publication, which can be found at III's Web site, describes what you will—or would—need to know and do, including:

Filing a claim. Contact your insurance agent or company to report your damages. Confirm that your policy's terms cover it so that you can file a claim, your claim exceeds your deductible, you need estimates for repairs, and so on.

Get ready for adjuster. Fill out a form that you will receive with descriptions of damaged and destroyed items, dates of purchase, original costs, and replacement costs. When the company sends out an adjuster to assess the damage, be prepared to show him/her all the structural damage in and around the house and to give him/her the description of damages—keeping a copy for yourself—and copies of detailed estimates for repairs from contractors whom you are considering. Also be prepared to show the adjuster damaged items and give him/her sales slips, invoices, or cancelled checks, which you have kept since their purchases, as well as receipts for any necessary temporary repairs, for which you will be reimbursed.

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How much you may get. The amount of money you may get from your insurance company depends primarily on the type of policy that you have.

- *Replacement cost* policies provide you with whatever is needed to replace damaged items with similar ones of equal quality.
- *Actual cash value* policies pay what's left after deducting depreciation from replacement costs, which can leave very little.

If your home is so damaged that it cannot be repaired, a typical *replacement cost* policy will pay to replace it within specified limits; an *inflation-guard* clause will help you to keep up with increases in building costs.

Under an *extended replacement cost* policy, a company will pay 20 percent or more above the specified limits to give you protection against very large cost increases. A *guaranteed replacement cost* policy pays whatever it costs to rebuild your home—but not to improve on it.

Temporary quarters. If you and your family have to live elsewhere until your home is repaired or replaced, your company probably will pay for your *loss of use*: reasonable additional living expenses—such as rent, eating out, utility installation costs, added transportation costs—which may be 20 percent or more of the insurance on your house. (Be sure to keep records of your expenses.)

Water damage. Homeowners' policies don't cover flood damage but do cover other kinds of water damage, such as rain coming through a hole made in the roof during a hurricane. If you have a flood policy and can substantiate flood damage, you need to get actual repair costs for payment.

Trees and shrubbery. Companies typically pay for removing trees that fell on your house but not for those that fell on your lawn or for replacing damaged trees and shrubbery.

Getting the money. You usually get two insurance checks when both house and contents are damaged. If you have a mortgage, the check for home repairs will be made out to both you and the lending institution. The lender is likely to put the money into an escrow account, pay for the work as it is completed, and inspect it before making the final payment.

If your property was destroyed or damaged due to an "unusual" event such as a hurricane, you may be entitled to an income tax deduction. Read IRS Publication 547, "Casualties, Disasters, and Thefts," on the IRS Web site, www.irs.gov.

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