DISASTER RECOVERY - FILING A CLAIM

Filing a claim can be one of the most frustrating processes during a crisis or following a major disaster. It is critical that at these times, you are prepared with the information your insurance company needs.

Know where to find your information. Before you can file a claim, you will need to have:

The name of your insurance company or insurance producer (agent)
Your insurance policy and policy number
The customer service line for filing a claim

Know your policy. Read and understand what your policy says. An insurance policy is a contract between you (the policyholder) and the insurance company. Know what's covered, what's excluded and what the deductibles are. If you have any questions about what's covered, ask. Filing a claim is not the time you want to find out whether or not you're covered.

File the claim as soon as possible. Some policies might require you to file a claim within a certain time frame. Once your insurance company has been notified of your claim, the company has 10 business days to furnish you with the necessary claim forms. Complete them and return them promptly with as much information as possible. Incorrect or incomplete information will only cause a delay in processing your claim.

Many companies respond within two days, some within 24 hours, after you report your claim. The insurance company will make arrangements for an inspection of the damage to your car, home or business.

When you file your claim, and throughout the entire claim process, it is important to

- Keep a record of everyone you spoke to on the telephone, including names and date/time of the conversation, as well as any exchanges in writing.
- Ask questions if you do not understand something.
- Photograph and make a list of the damaged items.
- Save any receipts for materials purchased for repairs.
- Do not throw away damaged property until the claims adjuster advises you to do so.
- Protect your property from further damage by making temporary repairs until your insurance company is able to advise you.
- Do not have permanent repairs made until your insurance company has inspected the property and you have reached an agreement on the cost of repairs. If you do make permanent repairs before the adjuster has seen the damage, your claim could be denied.

Settle the claim. After you file your claim forms and the insurance adjuster has made an inspection of the damage, your insurance company usually will respond in writing within a week. By law, the company must respond in writing within 15 business days advising you if your claim has been accepted or rejected. Unless there are problems with your claim, it should be processed quickly.

If your claim is complicated or questionable, the company may request additional time. Your insurance company will notify you of the reasons for the delay. If the investigation remains incomplete, the insurance company must advise you of the status of your claim until it is settled 30 days from the date of the initial notification and every 45 days thereafter

If you don't hear from the insurance company, call and ask for an explanation of the reason for the delay. It sometimes is useful to get the company to put in writing the information they need so that you are both clear on the issue.

Once you and the insurance company agree on the terms of the settlement, the law requires that you be sent payment promptly.

You and your insurance company may find it difficult to agree immediately on the settlement of your claim. If you can't reach an agreement on the extent of the damage or the cost to repair the damage, review the terms of your policy.

If your claim is denied, make sure you obtain a written letter explaining the reason for the denial and the specific policy language under which the claim is being denied. If you are not satisfied, or if you feel you have not been treated fairly, you should contact the Pennsylvania Insurance Department for assistance.

Once you contact us and submit a completed complaint form, we will start an investigation on your behalf. Your complaint form should explain the reasons for the disagreement and you should attach copies of any supporting documentation, such as your insurance policy, who you spoke to and any correspondence you have received from your insurance company.

Our consumer service investigators will review your complaint to determine if your issue was handled appropriately under the terms or your policy. We will also determine if the insurance company, producer (agent) or any other party violated state insurance laws. No matter how strongly you may feel about your dispute, there are those cases where the company did not violate any insurance laws and therefore, no wrong doing was had on the part of the company.

In Pennsylvania, the statute of limitations filing deadline is the same whether your potential lawsuit involves damage to your "real" property (that means a house, some other building, or physical land) or your personal property.

Specifically, Pennsylvania Consolidated Statutes Title 42 section 5524 sets a two-year filing deadline for the filing of:

- an action (a lawsuit, in other words) "for taking, detaining or injuring personal property," or
- an action for waste or trespass of real property. (Note: Here, the phrase "waste or trespass of" is synonymous with "injury to" in the eyes of the law.)

Insurance companies typically pay claims by electronic funds transfer or check, although more complicated claims may involve multiple payments issued over time as repair work is completed and expenses are accumulated.

Depending on the severity of the damage, you may receive the first payment soon after making your claim. This is to help with immediate expenses or to reimburse you for lodging and food as needed, in addition to paying for any immediate repairs that are required. In some cases, such as with smaller claims, the first check may be an immediate settlement for the entire claim. If you accept this payment, you have the option of submitting another claim later if more damage is discovered. You may also dispute the settlement if you feel it is insufficient, and consider hiring a public insurance adjuster for a second opinion if you're unsatisfied with your insurance company's offer.
If both the structure and your possessions are damaged or destroyed, you might receive separate payments for each. You might also receive a separate check for living expenses or alternate lodging, and another if part of the damage was caused by a flood and is covered by a separate policy.

If you have a mortgage on your home, checks are typically made out to both you and your lender. Banks and mortgage companies normally require that they are named on a homeowners policy and that they are a party to any insurance payments. The same holds true if you own a condo or co-op. Your lender may require that all funds for repairs are held in an escrow account and released directly to your contractor as work progresses. An inspection of the work may be required before the final payment is issued.

"In home insurance, recoverable depreciation refers to the dollar amount difference between your property's actual cash value and its replacement value."

Home insurance companies usually pay replacement cost claims in two parts — actual cash value, then recoverable depreciation — to dissuade fraud and to limit excessive payouts. After you've repaired or replaced the damaged property, your insurer will write you a check for the recoverable depreciation amount.

- What is recoverable depreciation?
- How is recoverable depreciation calculated?
- How to claim recoverable depreciation

Based on this definition, recoverable depreciation is the portion of the depreciated amount that you can get back or "recover" from your insurance company when you make a claim on a policy with replacement cost coverage.

Such claims will generally be paid by the insurer in two parts.

- The first check will cover the actual cash value (ACV) or depreciated value of the item.
- Once you have repaired or replaced the item, your insurance company will send a check for the recoverable depreciation amount.

Insurance companies split their payments this way for a few reasons. Most importantly, it discourages fraud and gives you an incentive to spend the money on repairing your home as intended. Spending the first payment for unrelated purposes will cause you to forfeit the recoverable depreciation.

How is recoverable depreciation calculated?

The formula for calculating recoverable depreciation is unique to each policy and the nature of the damaged item, but the most common method begins by estimating the item's useful lifetime and reducing its value by a fraction of that lifetime each year, down to zero.
How does depreciation affect a roof over twenty years?
Imagine that you pay $10,000 for a new roof with a life expectancy of twenty years. Each year, it would depreciate by one twentieth of its purchase value, or $500. If it's completely destroyed in a storm in year five, its actual cash value would be $7,500 and the recoverable depreciation would be $2,500.

Year	Actual cash value	Recoverable depreciation
1	$10,000	$0
2	$9,500	$500
5	$7,500	$2,500
10	$5,000	$5,000
20	$0	$10,000

Example based on a roof expected to last 20 years with initial value of $10,000

Nonrecoverable depreciation

It's possible to have some nonrecoverable depreciation when making your insurance claim. This is most likely when you have an actual cash value policy, which only reimburses you for the depreciated value of damaged or stolen property. In this case, nonrecoverable depreciation is equal to total depreciation.

Even if you have a replacement cost policy, there may be exceptions on some items or causes of damage. Fragile items like carpets or awnings may only be covered up to their actual cash value. If both your deck and the awning over it are damaged in a storm, the deck may be covered up to its full replacement cost but the awning only covered to its actual cash value.

Some claims are paid differently depending on the source of damage. For example, an insurer might pay out RCV for damage to a roof if a tree falls on it, but only pay ACV if the damage is caused directly by wind or hail.
The potential mixture of ACV and RCV coverage makes it important for you to verify the details of your policy. In many cases, you will find certain categories of property that are subject to nonrecoverable depreciation.

How to Claim Recoverable Depreciation

Claiming recoverable depreciation from your insurance company begins with filing a claim. An insurance adjuster will calculate the RCV, ACV and depreciation of the property that was lost or damaged. Then the company will send you a check for the ACV amount, minus your insurance deductible.

Next, you pay to replace or repair the item in question. Whether you buy a replacement or take bids for repair work, make sure to keep all of your receipts to show your insurer that you've used the money from the first check as intended. It's possible that your insurer will pay your repair person directly.

How recoverable depreciation is paid on a damaged roof	
Replacement cost	$10,000
Subtract depreciation (8 years old / 20 year lifespan = 40%)	-$4,000
Actual cash value	$6,000
Subtract deductible	-$500
Net claim (first payment)	$5,500
Add recoverable depreciation (second payment)	+$4,000
Total claim amount	$9,500

Note that if you happen to come in under-budget for your claim, it's very difficult to keep the extra money. Your insurance company will ask to see how much the repair cost, and you'll only receive enough to pay for the item or repairs actual cost.