
FIRE INSURANCE CLAIMS GUIDE

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INITIAL STEPS

The first step with any potential claim under a policy of insurance is to notify the insurance company of the claim. Normally people do this by contacting their broker, but in some circumstances, an insurance company is set up to receive claims directly. You are obliged under the terms of your policy to give notice forthwith to your insurance company of your claim, in writing.

Your insurance company will appoint an adjuster to handle your claim. The adjuster's role is to explain the claims process to you and to adjust your claim. It is important to keep in mind that the adjuster is hired by the insurance company and takes instructions from your insurance company.

There are various components to your house insurance, and it is important to be familiar with the types of coverage and the limits which are applicable. Some of the types of coverage are discussed below.

THE BUILDING

In circumstances of a total loss, your insurance company will be obliged to pay for your home to be rebuilt. Your insurance company will first determine the replacement value of your home (ie. the cost to rebuild it).

In some circumstances, it can be difficult to determine the appropriate replacement value. The replacement value will be based on the square footage of the home, the quality of the finishings, quality of construction and other factors. If you have photographs or videos of your home, these can be very helpful.

In the majority of cases where there is a total loss, your insurance company may not insist that the house be built exactly the same as the one that was destroyed. In a total loss, the insurance company will have to assess whether the foundation is salvageable or not, and will normally retain an engineer to do an assessment of the property.

Once the replacement value has been determined, you will then be in a position to hire a contractor to rebuild your home, with the insurance company paying the lesser of the following towards the cost of construction:

1. the replacement value;
2. the insurance policy limits; or
3. the actual amount spent on construction.

Any costs in excess of the amount to which you are entitled under your policy are at your own expense and would be between you and your contractor.

CONTENTS COVERAGE

The contents of your home are insured separate and apart from the building or structure. In circumstances of a total loss, the contents are often the most difficult issue to deal with.

Every single item in your home for which you wish to make a claim must be listed on a form called a Schedule of Loss. The best way to do this is to go through your home by memory, room by room, cupboard by cupboard, drawer by drawer.

Replacement Cost v. Depreciated Value

You are only entitled to replacement value of the property you lose if you actually replace the item which has been lost. If you do not actually replace the item, you will be paid the depreciated value, which is also known as the Actual Cash Value or ACV. If you choose to replace, you must replace the item with another one of similar value. If you choose not to replace an item, the ACV value is generally calculated by determining the current replacement value of the item and then deducting an amount for depreciation. For instance, if the normal useful life of a particular item is 20 years and the item is 10 years old, you could expect to receive one-half of the cost of the item.

You should be aware that although your insurance company may give you money to fund the replacement process, they are not obliged to do so. Under the terms of your insurance contract, their only obligation is to repay you for what you spend.

You should be aware that certain insurance policies have a time period within which replacement must be effected. In certain circumstances, insurance companies may extend those time periods. Some policies provide that replacement must be completed within 180 days, some provide for one year and some policies have no specific time period. If your policy provides that replacement must be effected within 180 days, but your home is a total loss, you will likely want to extend that time period as you may have no place to put your replacement items until your home is rebuilt. If you are able to negotiate an extension, it is wise to confirm the extension, in writing, with the adjuster.

ADDITIONAL LIVING EXPENSES

You need to look very carefully at your policy limits for additional living expenses. Many insurance policies provide for additional living expenses up to 20% of the insured value of the house. As with the contents, even though some insurance companies will provide a sizeable

advance for additional living expenses in circumstances of a total loss, there is no obligation on them to do so – the only obligation is to repay you what you spend based on receipts submitted.

The additional living expense amount can be spent in any manner you wish, within reason, but once spent, there is no more money. In other words, if a person wishes to spend a month in a hotel and eat meals in restaurants, they would likely be entitled to reimbursement, but if their home is a total loss, it would be wiser to budget based upon how long you may be out of your home.

If you lost your home as a result of the Okanagan Mountain Park fire, it would be wise to assume that you could be out of your home for a long time – even though it generally takes only three to five months to build a new home, there are a limited number of builders.

LIST OF DO'S AND DON'T'S

- DO report your claim to your insurance company right away.
- DO get a copy of your insurance policy and read it carefully.
- DO start to assemble the lists of your contents. Where possible, track down receipts, and try to remember where you purchased each item and the cost of it.
- DO keep receipts for every expense and cost you have incurred as a result of the evacuation and/or loss of your home.
- DO try to determine the replacement cost of each of the items in your home – sometimes a department store catalogue is a quick method for standard household items.
- DO continue to make your mortgage payments, unless other arrangements are made with your lender.
- DO keep copies of everything you give to your adjuster.
- DO confirm important discussions you have with your adjuster in writing (ie. by email or by letter). This would include any extensions or time periods within which replacement must be effected, confirmations to proceed to purchase certain replacement items, etc.
- DO prepare for all of your meetings with your adjuster. Determine in advance, what is to be discussed at the meeting, and ensure that you are organized. For example, if you are meeting with your adjuster to determine the value of some of your house contents, it is a good idea to have all of the back-up documentation available for your meeting. The more organized you are, the quicker things will get done
- DO NOT sell yourself short by not claiming for items which were lost. If you do not claim for an item, you cannot receive compensation for it. Even if you choose not to replace an item, you are still entitled to the actual cash value of the item, and those items will add up.
- DO NOT accept unconditionally everything you are told by your insurance adjuster. You should keep in mind that the adjuster is paid by your insurance company and reports to your insurance company.
- DO NOT deliberately over-state or over-inflate your claim. If you claim that an item was lost and it is proved that you made that claim with the intention of defrauding your insurance company, your entire insurance policy may be cancelled and you would not be entitled to any compensation.

- DO NOT be pressured into agreeing to things you are not sure about or haven't had a chance to decide. It is acceptable to say that you will let the adjuster know later.
- DO NOT assume that your adjusters know all of the details about your insurance policy – they do not necessarily read each policy and may be making assumptions based on other policies.

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