

Consumer Tips: Getting Your Homeowner's Insurance Money After a Disaster

October 2018

Print in PDF 

If your home has been damaged by a natural disaster, homeowner's insurance can give you the money you need to repair or rebuild your home. But beware! There may be others hoping to profit from your misfortune. Scam artists and unscrupulous home improvement contractors flock to areas affected by natural disasters. Here are some tips for avoiding these scammers and getting money from your insurance company.

DON'T GET SCAMMED!

Post-disaster scams are common. Here are some examples.

- A person calls or shows up at your house to offer to help with filing claims with your insurance company or getting government benefits, for a fee. The claims adjuster sent by your insurance company and government officials, from FEMA and other agencies, do not request fees. The process for filing an insurance claim begins with a call to your insurance company.
- Your contractor asks you to sign a "direction to pay form" that allows your insurance company to pay the contractor directly (i.e., the contractor doesn't have to go through you) before any repair work is completed or before you've had a chance to inspect the work that's been done. Don't sign such a form until the work is complete and you are sure you are satisfied with the repair work.
- A person claiming to be an agent of FEMA or another disaster relief organization calls and asks for your personal or financial information. FEMA and other disaster relief organizations do not contact disaster victims until and unless they've been contacted by the victim. If you receive an unsolicited phone call like this, do not disclose personal or financial information that could jeopardize your identity or bank account.

FILING YOUR CLAIM

After a disaster, the process of rebuilding your life may seem overwhelming, but it is important to get in touch with your insurance company and mortgage lender quickly.

- Obtain a copy of your homeowner's insurance policy and a copy of your flood insurance policy (if your home sustained flood damage). Your insurance agent can provide you with a copy of your policy, if needed. Review your insurance policy to get a sense of what is covered and what obligations you may have after a loss. For example, many insurance policies have deadlines for filing claims and require the homeowner to make temporary repairs to protect against further damage or vandalism. Proof of loss for flood insurance must be submitted within 60 days unless the deadline is extended.
- Fully document any temporary repairs you make. Keep your receipts and take pictures of the damage before making repairs. (Ideally, you should take pictures or video of each room in your home before a disaster strikes, which allows for a better assessment of disaster related damages).
- Contact your insurer immediately to give notice that you have or may have a claim. If you

notify your insurer by phone, follow up with a written confirmation with proof of delivery (e.g., return receipt requested or sent with a tracking number via postal service or another carrier).

- Ask your insurer for immediate financial assistance for additional living expenses. Such assistance is generally provided under homeowners' policies.
- Make a room-by-room list of damaged possessions, note damages to the structure (e.g., walls, foundation) of the home, and take pictures or video of the damage.
- Complete any claim forms and proof of loss forms the insurer requires.
- Give your insurer your temporary contact information, if applicable.
- Keep a written record of the date and substance of all of your communications with your insurer.
- If you live in a flooded area, check your policy for language about mold coverage. Check for mold damage, especially if you detect an earthy or musty smell in the home. Mold damage may be hidden (e.g., it may become visible when your contractor opens the walls) and you may need to contact your insurance company to report additional damage. Testing for mold is often expensive and unnecessary, and a visual inspection of the home may locate the source of the problem.
- If you have a dispute with your insurer about the amount of the claim settlement, contact your state's insurance department for assistance and try to get an independent contractor to give you an estimate of the repair cost. You don't have to take the first insurance settlement offer, especially if you believe that the offer does not reflect all of the covered damage, including mold and other environmental damage. If your dispute continues, file a formal written complaint with your state's insurance department and consider consulting an attorney.

CONTACTING YOUR MORTGAGE SERVICER

Your mortgage servicer is the company that sends your monthly statements on behalf of the mortgage lender that actually owns your mortgage. Your servicer also helps you resolve your mortgage-related issues. These tips can help you negotiate a smooth process with your servicer after a disaster.

- If you have a mortgage, call and advise the mortgage servicer (the company that receives your mortgage payments) of the property damage. Follow up by sending written notice.
- Keep a written record of the date and substance of all of your communications with your mortgage servicer.
- Provide your mortgage servicer with good contact information for you, including a cell phone and email address, if available.
- Relief options, such as a limited forbearance of mortgage payments, may be available. If you need assistance, including longer term assistance due to hardship, talk to your servicer about available relief options.
- A HUD-approved housing counselor can assist you in working with the mortgage servicer to put a relief option or other foreclosure avoidance option in place.

GETTING YOUR INSURANCE MONEY

Your insurance pay-out may come in two separate checks: one for damage to the home, and the second for damage to its contents.

Money for damage to your home

If you have a mortgage, then you and your mortgage servicer) will likely be the "loss-payees" (i.e., the person to whom the check is made payable) on the check for the damage to your home. The reason this check is made payable to both the homeowner and the servicer is to give the servicer

control over the money and therefore over the repair process. If you do not have a mortgage then the entire check should be made payable to you.

Some mortgage servicers may allow insurers to pay borrowers all of, or a large portion of, the insurance money directly. Factors that will affect how much, if anything, you may be entitled to receive outright are:

- Whether your mortgage was current at the time of the disaster;
- The amount of the insurance loss proceeds; and
- The extent of the damage to your home.

Keep in mind that these proceeds must still be used only for home repairs. Call your mortgage servicer for more information. You may need a feasible repair plan before the servicer will release the insurance funds to you.

Money for damage to your personal property

Whether or not you have a mortgage, you should be the loss-payee on the check for your personal property. If your insurance provider mistakenly pays your mortgage servicer all of the insurance money (including the money due for your personal property losses), ask your servicer to issue you a check for the amount of insurance money that you were owed for personal property losses.

BE CAREFUL WHEN CHOOSING A CONTRACTOR!

Many unscrupulous contractors (or individuals posing as contractors) take advantage of homeowners who are desperate to get repairs or debris removal done fast. These contractors often leave such projects incomplete, do shoddy work or no work at all, and arrange financing for repairs at terms extremely disadvantageous to the homeowners. For more information about how to spot and avoid home improvement scams, read National Consumer Law Center's *Consumer Tips: Avoiding Home Improvement Fraud After a Natural Disaster*.

ADDITIONAL RESOURCES

State Insurance Commissioners (links to each state's Department of Insurance) available at: http://www.naic.org/state_web_map.htm

FEMA individual disaster aid: <https://www.disasterassistance.gov>

U.S. Department of Housing and Urban Development (HUD): <https://www.hud.gov>

HUD-approved housing counseling agency: <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

Housing counseling, HOPE NOW: <http://www.hopenow.com/index.php>

National Consumer Law Center report: *Obtaining Mortgage Relief for Victims of Disasters* available at <https://nclc-old.ogosenet/images/pdf/pr-reports/report-mortgage-relief-for-victims-of-disasters.pdf>.

The National Consumer Law Center's *Surviving Debt* (2019), contains everything consumers, counselors, community leaders, and others should know about what to do when a family is in financial trouble. The book is available in print and as an e-book at <https://library.nclc.org/bookstore>. Bulk pricing is available. Read the first chapter for free at <https://library.nclc.org/sd/0102>.

More advice and materials about other consumer issues related to survivors of natural disasters can be found at <https://nclc-old.ogosense.net/issues/disaster-relief-consumer-protections.html>.

Print in PDF 