



# **FRANTZ**

## **CONSTRUCTION**

**Navigating Insurance Claims Following the  
2025 Palisades/Malibu Fires**

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## **Introduction**

The devastation wrought by the 2025 Palisades/Malibu Fires is immense, leaving behind not just physical destruction but also profound emotional and financial challenges. For those who have lost homes and belongings, the path to recovery can feel overwhelming. This guide serves as a supportive roadmap focused specifically on navigating the complexities of the insurance claim process in the aftermath of this disaster. While the journey is undoubtedly difficult, understanding insurance procedures, rights, and potential pitfalls can empower homeowners and renters to take control of their recovery and advocate effectively for the compensation they are entitled to under their policies.

This resource aims to provide clear, practical information based on common insurance practices and California regulations pertinent to wildfire disasters. It breaks down the process into manageable steps, from the initial contact with insurers to understanding settlements and handling disputes. However, every situation is unique, and policy language varies. Therefore, this guide provides general information and should not be considered a substitute for personalized legal or financial advice from qualified professionals who can assess specific circumstances and policy details.

## **Chapter 1: First Steps After the Fire: Safety and Insurance Notification**

### **Prioritizing Safety and Immediate Needs**

In the immediate aftermath of a wildfire evacuation and loss, the absolute first priority must be the safety and well-being of individuals and families. Securing safe, temporary shelter – whether with friends, family, at designated evacuation centers, or in hotels – is paramount. Addressing the immediate emotional shock and establishing a sense of stability, however temporary, is crucial before tackling the logistical challenges ahead.

Alongside personal safety, initiating contact with disaster assistance organizations can provide critical immediate support. Registering with the Federal Emergency Management Agency (FEMA) is advisable, even for those with insurance. FEMA assistance can cover certain uninsured or

underinsured losses and may provide grants for temporary housing or essential needs, acting as a potential bridge while insurance claims are processed. Local disaster assistance centers established by city or county authorities are also vital resources for immediate aid and information.

### **Contacting Your Insurance Company: Making the First Report**

Once immediate safety concerns are addressed, notifying the insurance company of the loss is the next critical step. If policy documents were destroyed in the fire, policyholders can typically find contact information and sometimes policy numbers through the insurer's website, their insurance agent, or online customer portals.

The initial call to the insurer serves to formally report the loss and initiate the claims process. Policyholders should be prepared to provide their name, the property address, the policy number (if known), confirmation that a loss has occurred due to the fire, and reliable temporary contact information (phone number, email address, mailing address for checks/documents).

During this first contact, it is advisable to be cautious about the information provided. Policyholders should avoid speculating on the full extent of the damage, as the complete picture may not be clear yet. It is generally recommended to decline requests for immediate recorded statements until there has been time to process the situation and potentially review the policy. Early, potentially inaccurate statements made under duress could complicate the claim later. Similarly, avoid any statements that could be construed as admitting fault or minimizing the loss. The purpose of this initial call is simply to notify the insurer and open the claim file. This first interaction begins the process, but the significant task of documenting and proving the extent of the loss lies ahead. This notification fulfills the policyholder's duty to inform the insurer promptly, but it also sets the stage for the insurer's investigation and evaluation, underscoring the need for careful, factual communication from the outset.

It is essential to obtain a claim number during this initial call and note the name and contact information of the insurance company representative spoken with. Maintaining meticulous records of all communications starts from this very first interaction.

## **Understanding Initial Emergency Funds/Advances (Loss of Use/ALE)**

Recognizing the immediate financial strain faced by displaced disaster victims, California law often requires insurers to offer an advance payment against the Additional Living Expenses (ALE) or Loss of Use coverage shortly after a claim is reported following a declared state of emergency. Even where not strictly mandated, many insurers provide such advances as standard practice.

These initial funds are intended to cover urgent out-of-pocket expenses resulting from displacement, such as hotel bills, meals, replacement clothing, and other essential items. It is crucial for policyholders to understand that this is an *advance* on their policy benefits, not additional or free money. The amount advanced will be deducted from the total amount ultimately payable under the ALE coverage limit.

While these advances provide a vital lifeline, they also mark the beginning of the ALE claim documentation process. Every dollar spent from this advance, and all subsequent ALE expenditures, must be tracked meticulously with receipts and justification. Failure to maintain thorough records from day one can lead to challenges and potential denials when the insurer reconciles the total ALE claim against the expenses submitted, potentially creating cash flow problems later in the recovery. Therefore, careful record-keeping must commence immediately upon receiving any advance funds.

## **Chapter 2: Understanding Your Homeowners/Renters Insurance Policy**

### **Finding and Reading Your Policy**

A thorough understanding of the insurance policy is fundamental to navigating the claim process effectively. If the original policy documents were lost in the fire, policyholders have the right to request a complete and certified copy from their insurance company or agent, typically free of charge, especially following a declared disaster. Obtaining this document promptly is essential.

The most critical part of the policy for understanding coverage levels is the Declarations Page. This page acts as a summary, listing the specific

coverages included in the policy, the dollar limits for each coverage, the deductible amount, and any endorsements or riders that modify the standard coverage. Familiarizing oneself with this page is the first step in assessing the resources available for recovery.

### **Key Coverage Types Explained (Tailored to Wildfire Loss)**

Homeowners and renters insurance policies contain several distinct coverage parts, each applying to different aspects of a loss. For wildfire victims, the most relevant coverages include:

- **Coverage A - Dwelling:** This covers the main house structure. The limit is typically based on an estimated cost to rebuild the home. It's vital to check whether the coverage is for Replacement Cost Value (RCV), which pays to rebuild with similar materials and quality, or Actual Cash Value (ACV), which pays the depreciated value of the damaged structure. RCV is generally preferred for rebuilding.
- **Coverage B - Other Structures:** This covers structures on the property not attached to the main house, such as detached garages, sheds, fences, or guest houses. The limit is often calculated as a percentage (e.g., 10%) of the Coverage A limit. For properties with significant detached structures, understanding this separate limit is important.
- **Coverage C - Personal Property:** This covers belongings, including furniture, clothing, electronics, appliances, and other personal items. Policies typically set a limit for total personal property loss (often 50-70% of Coverage A) and may have sub-limits for specific high-value categories like jewelry, firearms, or artwork. Like dwelling coverage, personal property coverage can be RCV or ACV. ACV pays the depreciated value, while RCV pays the cost to replace items with new ones (often paid in two stages: ACV first, then the recoverable depreciation after replacement).
- **Coverage D - Loss of Use / Additional Living Expenses (ALE):** This coverage is crucial for displaced residents. It pays for the *increase* in living expenses incurred when unable to live in the damaged home. This includes costs like temporary rent or hotel bills, increased mileage, restaurant meals (if home cooking isn't possible), laundry costs, pet boarding, and storage fees, *above and beyond* normal monthly expenses. California law provides specific protections regarding the

minimum duration of ALE benefits following a declared disaster, often extending it to 24 or even 36 months.

- Coverage E - Personal Liability & Coverage F - Medical Payments: These coverages relate to injuries sustained by others on the property or caused by the policyholder, and are generally less directly relevant to the property damage claim itself, though they remain part of the overall policy.

### **Additional Coverages Crucial for Wildfire**

Beyond the standard coverages, certain additional policy provisions are particularly critical after a wildfire:

- Debris Removal: Wildfires generate significant debris, often including hazardous materials like ash, chemicals, and remnants of burnt structures, as well as damaged foundations that must be removed before rebuilding can commence. Policies typically provide an additional amount for debris removal, often a small percentage (e.g., 5%) of the dwelling limit, though sometimes it's included within the dwelling limit itself. Given the high cost of hazardous debris removal and foundation work, this coverage is frequently insufficient.
- Ordinance or Law: This coverage is vital. After a major fire, building codes are often updated to improve fire resistance and safety. Ordinance or Law coverage pays for the increased costs associated with rebuilding to meet these new, stricter codes. Standard policies often include a limited amount (e.g., 10% of Coverage A), which may not be adequate, especially in high-cost areas with significant code changes. This coverage is frequently overlooked but essential for a compliant rebuild.
- Landscaping: Policies usually offer limited coverage for damaged trees, shrubs, and plants, often with a low per-item cap (e.g., \$500 per tree) and an overall maximum limit. Expectations regarding landscape recovery should be managed accordingly.

### **Policy Limits, Deductibles, and Endorsements/Riders**

Understanding the financial parameters of the policy is key:

- Deductible: This is the amount the policyholder must pay out-of-pocket before the insurance coverage begins. It is subtracted from the total claim settlement for dwelling and personal property damage.

- **Policy Limits:** These are the maximum amounts the insurer will pay for each specific coverage (A, B, C, D, etc.).
- **Endorsements/Riders:** These are additions to the standard policy that modify or add coverage. Common examples crucial after a fire include:
  - **Extended Replacement Cost:** Provides an additional percentage (e.g., 20%, 25%, 50%) above the Coverage A limit, offering a crucial buffer against underinsurance.
  - **Guaranteed Replacement Cost:** A less common but highly valuable endorsement that pays the full cost to rebuild the home, even if it exceeds the Coverage A limit.
  - **Specific riders for high-value personal property.**

Scrutinizing these elements—particularly the dwelling limit (Coverage A), the presence and amount of Extended Replacement Cost, and the limit for Ordinance or Law coverage—is the first step in assessing potential underinsurance. Standard dwelling limits, even with basic inflation adjustments, often fail to account for the dramatic spike in construction costs (demand surge) that occurs after a widespread disaster. Furthermore, the costs associated with mandatory code upgrades can be substantial. Without adequate Ordinance or Law coverage and ideally an Extended Replacement Cost endorsement, policyholders may find their policy limits fall significantly short of the actual cost to rebuild their home compliantly in the post-disaster environment. Understanding these specific coverages and limits early helps identify potential financial gaps.

## **Chapter 3: The Insurance Claim Process: A Step-by-Step Guide**

### **The Key Players**

Navigating an insurance claim involves interacting with several different parties:

- **Your Insurance Agent:** Typically the person who sold the policy. Their role is primarily in sales and general service; they usually have limited authority in the claims handling process itself but can be a point of contact for policy information.
- **Company Adjuster:** An employee of the insurance company assigned to investigate the claim, assess the damage, interpret the policy, estimate the cost of repairs or replacement, and offer a settlement. Their primary



duty is to the insurance company.

- Independent Adjuster: An adjuster hired by the insurance company on a contract basis, often during major catastrophes when the insurer's staff adjusters are overwhelmed. They perform the same functions as a company adjuster and report to the insurer.
- Public Adjuster: (Discussed in detail in Chapter 9) An adjuster licensed by the state who is hired by the *policyholder* to manage the claim on their behalf.

### **Working with Your Assigned Adjuster**

The assigned adjuster (whether company or independent) is the primary point of contact for the claim investigation and settlement negotiation. Establishing clear communication channels (preferred methods, expected response times) early on is important.

The adjuster's responsibilities include inspecting the property damage, reviewing the policy provisions, creating a detailed estimate of the damages (known as a "Scope of Loss"), evaluating the personal property inventory list submitted by the policyholder, and ultimately making settlement offers based on their findings and the policy terms.

Maintaining a professional and organized approach when dealing with the adjuster is beneficial. Policyholders should strive to be responsive, provide requested documentation promptly, and communicate clearly and factually. While it's advisable to be firm in advocating for a fair assessment, adopting an overly adversarial stance from the beginning can sometimes hinder progress. However, it is important to remember that the adjuster works for the insurance company. The interaction can be inherently stressful, particularly for individuals grappling with trauma and loss. The claims process itself, with its documentation demands, potential delays, and negotiation requirements, can feel overwhelming and even re-traumatizing. Framing communication as a means to provide necessary information, maintain control over the process, and set clear boundaries can help manage this stress. Understanding the adjuster's role and the potential for differing perspectives on valuation or scope helps set realistic expectations and empowers policyholders to escalate concerns appropriately if the process feels unfair or stalled.

### **Documenting Everything: The Cornerstone of Your Claim**

Thorough documentation is arguably the single most important factor in achieving a fair insurance settlement. The insurance policy is a contract that requires the policyholder to prove the extent of their loss. While insurers state they require cooperation, the practical reality, especially after a disaster that may destroy records, is that the burden falls heavily on the victim to document what was lost and what it will cost to repair or replace it. Comprehensive documentation provides the necessary evidence to support the claim.

**Key documentation practices include:**

- "Proof of Loss" Form: This is a formal, sworn statement detailing the damages claimed and the amount sought from the insurer. Insurers often require this form, sometimes within a specific timeframe (e.g., 60 days), though extensions are often granted, especially post-disaster. Accuracy is critical.
- Communication Log: Maintain a detailed log of every interaction with the insurance company (calls, emails, letters). Record the date, time, person spoken to, and a summary of the conversation or correspondence. This log is invaluable if disputes arise over what was said, promised, or delayed.
- Photos and Videos: Take extensive photographs and videos of all damaged property *before* any cleanup or debris removal begins. Capture damage from multiple angles, both wide shots and close-ups. Documenting everything, even seemingly minor damage, is crucial.
- Receipts: Keep every single receipt for all expenses incurred as a result of the fire. This includes all ALE costs (lodging, food differential, mileage, etc.), any temporary repairs made, and costs associated with replacing personal property or beginning reconstruction.

This meticulous record-keeping directly addresses the challenge of substantiating the claim. While the policy requires cooperation, the insurer relies on the policyholder's submitted proof to evaluate the loss. Well-organized photos, logs, receipts, and inventory lists strengthen the policyholder's position, making it more difficult for the insurer to dispute the scope or value of the damages, thereby helping to level the playing field in the claims process.

**Key Deadlines You Cannot Miss (California Specific)**

Insurance claims are subject to various deadlines, and missing them can jeopardize coverage. Key deadlines under California law include:

- **Statute of Limitations:** In California, policyholders generally have a limited time to file a lawsuit against their insurance company if they cannot resolve a claim dispute. While typically two years from the "inception of the loss" (the date of the fire), this can be complex and subject to tolling or extensions under specific circumstances, especially following declared disasters. Verifying the current applicable statute and any disaster-related extensions with the California Department of Insurance (CDI) or a legal professional is critical.
- **Proof of Loss Submission:** Policies often state a deadline for submitting the formal Proof of Loss form.
- **Inventory Lists:** Deadlines may apply for submitting the detailed list of damaged personal property.
- **ALE Claims:** While ALE duration may be extended by law, there might be policy-specific deadlines for submitting expense documentation periodically.

If meeting a deadline is not possible, policyholders should request an extension *in writing* from the insurer before the deadline expires, and keep a copy of the request and the insurer's response.

### **Understanding Inspections and Estimates**

The insurance adjuster will conduct an inspection of the damaged property to assess the extent of the loss. Policyholders have the right to be present during this inspection and should take their own notes and photos.

Following the inspection, the adjuster will typically produce a "Scope of Loss" document. This is a detailed list outlining the specific damages identified and the proposed tasks and materials needed for repair or rebuilding, along with the insurer's estimated costs. It is absolutely essential to review this document with extreme care.

Policyholders should obtain their *own* independent repair or rebuilding estimates from reputable, licensed contractors who have experience with fire damage reconstruction. Comparing the insurer's Scope of Loss and cost estimate with independent contractor bids is crucial. Discrepancies are common and often form the basis for negotiation and disputes (covered further in Chapter 8). Independent estimates provide leverage and a realistic

assessment of local rebuilding costs.

## **Chapter 4: Creating Your Contents Inventory: Documenting Lost Personal Property**

### **The Challenge**

Documenting every item of personal property lost in a fire is one of the most daunting tasks facing survivors. Recalling possessions accumulated over years, especially amidst the trauma and displacement following a disaster, is incredibly difficult. Approaching this task methodically and understanding it may take considerable time and effort is important. It's a marathon, not a sprint.

### **Strategies for Recalling Belongings**

Several strategies can aid in reconstructing a comprehensive inventory of lost personal property:

- **Systematic Approach:** Go room by room, either mentally visualizing the space or using pre-fire photos or videos if available. Think about closets, drawers, storage areas.
- **Structured Tools:** Utilize detailed inventory worksheets or specialized software/apps designed for this purpose. These often provide prompts and categories to jog memory.
- **Involve the Household:** All members of the household should participate, as different individuals will remember different items.
- **Leverage Records:** Review past credit card and bank statements, online shopping histories (Amazon, retailers), emails, warranties, and receipts for significant purchases. These records can provide proof of ownership and value.

### **Valuing Your Items: Actual Cash Value (ACV) vs. Replacement Cost Value (RCV)**

Understanding how insurers value personal property is critical for managing expectations and claim payouts:

- **Actual Cash Value (ACV):** This represents the value of the item immediately *before* it was damaged or destroyed. It is calculated as the replacement cost minus depreciation due to age, wear and tear, and obsolescence. Insurers typically pay the ACV amount first, regardless of

whether the policy provides RCV coverage.

- Replacement Cost Value (RCV): This represents the cost to replace a damaged item with a *new* item of similar kind and quality available *today*. If a policy includes RCV coverage for personal property (which is common but should be verified), the insurer will initially pay the ACV. The difference between the RCV and the ACV, known as the "recoverable depreciation" or "holdback," is paid only *after* the policyholder actually replaces the item and submits receipts proving the purchase and cost.

This two-stage RCV payment process has significant implications. For instance, delays in settling the dwelling portion of the claim and completing the rebuild can directly impact a policyholder's ability to physically replace larger items like furniture or appliances. If there's no place to put new items due to ongoing construction or displacement in smaller temporary housing, the policyholder cannot purchase replacements and therefore cannot claim the recoverable depreciation. This can affect cash flow and potentially create issues if there are policy deadlines for submitting replacement receipts. Progress on the dwelling claim is thus often linked to the ability to fully realize the benefits of an RCV personal property settlement.

For each item on the inventory list, policyholders should try to document its description (including brand/model if known), quantity, age, original cost (or estimate), condition before the fire, and the estimated cost to replace it today (researching current prices online is helpful).

### **Tools and Templates**

Numerous resources exist to help structure the inventory process:

- Reputable non-profit organizations like United Policyholders ([uphelp.org](http://uphelp.org)) and government agencies like the California Department of Insurance often provide free, downloadable home inventory templates.
- Spreadsheets (such as Microsoft Excel or Google Sheets) are effective tools for creating and managing detailed lists.
- Specialized home inventory software or mobile apps are also available, some offering features like receipt scanning and cloud storage.

### **Sample Inventory Worksheet Snippet**

A structured worksheet can greatly simplify the inventory process. Use this Inventory Loss Worksheet to list lost items. This structure helps organize the

necessary details, clarifies the distinction between ACV and RCV, and provides columns for tracking the replacement process needed to claim recoverable depreciation.

## **Chapter 5: Navigating Additional Living Expenses (ALE) / Loss of Use**

### **What Expenses Qualify? The "Above and Beyond" Rule**

Additional Living Expenses (ALE), also known as Loss of Use coverage, is designed to cover the *increase* in expenses policyholders incur while displaced from their damaged home. The key principle is that ALE covers costs that are *above and beyond* the household's normal, pre-fire budget.

### **Examples of potentially covered ALE expenses include:**

- Rent for temporary housing or hotel/motel costs.
- Increased mileage if the temporary location requires longer commutes.
- Laundry expenses if the temporary housing lacks facilities and the original home had them.
- Pet boarding fees if pets cannot stay in temporary housing.
- Storage unit costs for salvaged belongings or new purchases.
- The difference in food costs (e.g., increased restaurant meals if temporary housing lacks a comparable kitchen).

A common point of contention is the policy requirement that ALE maintains the household's "comparable standard of living". This term is subjective and can lead to disputes with adjusters over the cost or type of temporary housing or other expenses. It is helpful for policyholders to document their pre-fire standard of living (e.g., size and quality of home or rental, typical expenses) to justify the costs incurred post-displacement. The post-disaster housing market often sees inflated prices and limited availability, making finding truly "comparable" housing challenging. Proactive communication with the adjuster, potentially seeking pre-approval for major ALE commitments like a long-term lease, can help prevent later denials or disputes over reasonableness. Documenting both the pre-fire standard and the realities of the post-fire market is key.

### **Tracking Expenses and Submitting for Reimbursement**

Meticulous record-keeping for ALE is absolutely non-negotiable.

Policyholders must keep *all* receipts for *all* expenses they intend to claim under ALE. Organizing these receipts by category (e.g., housing, food, mileage, laundry) and date is essential. Using spreadsheets or dedicated expense-tracking apps can simplify this process significantly.

Insurers typically require policyholders to submit ALE expense documentation periodically (e.g., monthly) using specific forms. Understanding the insurer's submission process and expected reimbursement timeframes is important for managing cash flow. It is not uncommon for reimbursements to take time, potentially requiring policyholders to cover significant costs out-of-pocket initially.

### **Time Limits and Caps on ALE Coverage**

ALE coverage is subject to limits, which can be expressed in two ways:

1. **Dollar Limit:** Often calculated as a percentage of the Dwelling (Coverage A) limit (e.g., 30% of Coverage A).
2. **Time Limit:** A maximum period during which ALE benefits will be paid (e.g., 12, 24, or 36 months from the date of loss).

Crucially, California law provides significant protections for policyholders affected by declared disasters. Statutes often mandate minimum ALE durations, such as 24 months, and potentially up to 36 months if the policyholder encounters reconstruction delays beyond their control. These statutory minimums override shorter time limits stated in the policy and provide vital support for long-term displacement.

However, even with extended time limits, the *dollar limit* on ALE coverage still applies. Delays in the rebuilding process—due to contractor issues, permitting hold-ups, disputes over the scope of damage, or widespread demand for labor and materials—directly extend the period of displacement. This continuous need for ALE means policyholders risk exhausting their total ALE dollar limit, even if the state-mandated time limit has not been reached. Therefore, careful monitoring of ALE spending against the policy's dollar cap, in conjunction with the progress of the dwelling reconstruction, is essential for long-term financial planning during the recovery period.

## **Chapter 6: Dealing with Underinsurance and Coverage Gaps**

## **The Shock of Being Underinsured**

One of the most devastating realizations for wildfire survivors is discovering they are underinsured – meaning their policy limits are insufficient to cover the actual costs of rebuilding their home and replacing their lost property. This situation can turn the already difficult recovery process into a financial crisis.

### **Common Reasons for Underinsurance (Especially Post-Wildfire)**

Underinsurance after a major wildfire is unfortunately common and often stems from factors beyond the policyholder's immediate control:

- **Outdated Dwelling Limits:** Home values and construction costs can rise significantly over time. If dwelling limits (Coverage A) haven't been regularly reviewed and updated to reflect current local rebuilding costs, they can easily become inadequate.
- **Inadequate Inflation Guards:** While many policies include automatic inflation adjustments, these are often based on general indices and may not keep pace with rapid increases in local construction costs, especially in high-cost areas like coastal California.
- **Demand Surge:** Following a widespread disaster like the Palisades/Malibu fires, the demand for construction labor and materials skyrockets in the affected region. This "demand surge" can dramatically inflate rebuilding costs, often by 20-50% or more, far exceeding standard inflation assumptions. Policies without specific endorsements often fail to account for this disaster-specific hyperinflation.
- **Insufficient Ordinance or Law Coverage:** The cost of rebuilding to meet current, often stricter, building codes enacted after a fire can be substantial. Standard Ordinance or Law limits (e.g., 10% of Coverage A) are frequently insufficient to cover these mandatory upgrades.
- **Misunderstanding Policy Features:** Policyholders may not fully understand the difference between ACV and RCV, the implications of sub-limits on personal property, or the importance of specific endorsements.

Often, underinsurance isn't a result of negligence but rather a consequence of standard insurance mechanisms failing to account for the unique economic impacts of a large-scale catastrophe. Even homes considered adequately insured under normal circumstances can become severely underinsured when faced with post-disaster demand surge and mandatory



code upgrades. Recognizing these systemic factors is important when assessing the situation and exploring potential solutions.

### **Key Coverages That Combat Underinsurance**

Certain policy features are specifically designed to mitigate the risk of underinsurance:

- **Extended Replacement Cost:** This valuable endorsement adds a specific percentage (commonly 20%, 25%, 50%, or sometimes higher) to the dwelling coverage limit (Coverage A). This provides a crucial buffer to absorb unexpected cost increases like demand surge.
- **Guaranteed Replacement Cost:** Though less common, this endorsement offers the highest level of protection, agreeing to pay the full cost to rebuild the home as it was, even if that cost exceeds the stated Coverage A limit.
- **Ordinance or Law Coverage:** As previously mentioned, this covers the costs of code-mandated upgrades during reconstruction. Ensuring this coverage has an adequate limit (ideally more than the standard 10%) is critical.

Reviewing the policy declarations page to confirm the presence and limits of these specific coverages is essential in assessing the degree of potential underinsurance.

### **Options if You Are Underinsured**

If policy limits are insufficient, policyholders face difficult choices but may have several avenues to explore:

- **Maximize All Policy Benefits:** Ensure every available dollar from all applicable coverages (Dwelling, Other Structures, Personal Property, ALE, Debris Removal) is claimed and utilized effectively. Sometimes savings in one area (e.g., finding less expensive temporary housing under ALE) can free up funds, although ALE savings typically cannot be directly applied to dwelling repairs.
- **Scrutinize the Scope of Loss:** Carefully review the insurer's proposed scope of repairs for any potentially inflated costs or unnecessary items that could be negotiated down.
- **Negotiate Valuation:** Dispute the insurer's valuation if independent estimates suggest higher costs are warranted, pushing for payment up to the policy limit.

- **Modify Rebuild Plans:** Consider rebuilding a smaller home or using different materials. However, policyholders must be cautious, as significantly altering the rebuild may impact their ability to recover full Replacement Cost Value benefits; insurers may only pay ACV if the home isn't rebuilt to a similar standard.
- **Seek Disaster Assistance:** Apply for assistance from FEMA (grants are limited and cover specific needs) and low-interest disaster loans from the U.S. Small Business Administration (SBA). SBA loans are a primary source of funding for homeowners to bridge the gap between insurance proceeds and the actual cost of rebuilding, but they must be repaid.
- **Explore Legal Options:** In rare cases, if underinsurance resulted directly from proven negligence by the insurance agent (e.g., failing to recommend appropriate coverage levels despite requests), legal action might be a possibility, though this is complex and requires consultation with an experienced attorney.
- **Non-Profit Assistance:** Investigate local charities or disaster recovery non-profits that may offer grants or assistance.

## **Chapter 7: Rebuilding vs. Cashing Out: Understanding Settlement Options**

### **The Big Decision**

After a total loss, policyholders face a fundamental decision: rebuild on the same property, take the insurance proceeds and rebuild or buy elsewhere, or take a cash settlement (typically ACV) and not rebuild or buy at all. This decision has significant financial and personal implications.

### **Working with Contractors**

If rebuilding is the chosen path, selecting and working with contractors is a critical phase:

- **Choose Reputable Contractors:** Only hire contractors who are licensed by the California Contractors State License Board (CSLB). Verify licenses online ([www.cslb.ca.gov](http://www.cslb.ca.gov)). Be wary of "disaster chasers" who solicit aggressively after an event; these individuals may be unlicensed, uninsured, or fraudulent. Get references and check them thoroughly.
- **Obtain Multiple Bids:** Get detailed written bids from at least three qualified contractors. Ensure the bids are based on the *agreed-upon* Scope of Loss negotiated with the insurer to allow for accurate

comparison.

- **Understand the Contract:** Review contractor contracts carefully before signing. Ensure they include a clear scope of work, timeline, payment schedule, and warranty information. Avoid large upfront payments.

## **Receiving Insurance Payments**

Insurance payments for dwelling damage are often handled differently than other coverages:

- **Mortgage Company Involvement:** If there is a mortgage on the property, the insurance company will typically issue settlement checks payable jointly to both the policyholder and the mortgage lender. The lender has a financial interest in ensuring the property (their collateral) is rebuilt. The mortgage company will usually hold the insurance funds in escrow and release them to the policyholder/contractor in stages as construction progresses, often requiring inspections and lien waivers from contractors before releasing draws. This process can add complexity and potential delays.
- **RCV vs. ACV Payments for Dwelling:** Similar to personal property RCV coverage, dwelling coverage under an RCV policy is often paid in stages. The insurer typically pays the Actual Cash Value (ACV) of the damaged structure first. The remaining amount, the recoverable depreciation or "holdback," is paid out incrementally as rebuilding work is completed and verified (often coinciding with the mortgage company's draw schedule).

The involvement of the mortgage company, while standard practice, can introduce delays if their internal processes for inspection and fund disbursement are slow. These delays can impact the ability to pay contractors promptly, potentially halting construction. A construction halt extends the displacement period, increasing the strain on ALE benefits and potentially pushing policyholders closer to their ALE dollar limits. Proactive communication with the mortgage lender's escrow or construction department is crucial to understand their requirements and keep the funds flowing smoothly.

## **Understanding Your Options**

Policyholders need to understand how their settlement options affect their payout, particularly regarding RCV benefits:

- **Rebuilding on the Same Lot:** Most policies require the policyholder to repair or rebuild on the same premises to receive the full Replacement Cost Value (RCV) for the dwelling.
- **Cashing Out (Taking ACV):** If the policyholder decides not to rebuild or repair, the insurer is generally only obligated to pay the Actual Cash Value (ACV) of the damaged structure. The difference between RCV and ACV can be substantial, meaning a cash-out option typically yields significantly less money than rebuilding.
- **Rebuilding/Buying Elsewhere:** Policy language varies significantly on whether RCV benefits can be used to rebuild or purchase a home at a different location. Some modern California policies may allow this, but the rules for recovering depreciation can be complex. Policyholders considering this option must carefully review their specific policy language and discuss the implications with their insurer or a knowledgeable advisor.
- **Tax Implications:** Insurance settlements can sometimes have tax implications. Consulting with a qualified tax professional is recommended to understand any potential tax liabilities related to the insurance proceeds received.

## **Chapter 8: Handling Disputes with Your Insurance Company**

### **Common Points of Conflict**

Disagreements between policyholders and insurance companies are common during the claims process, especially after large-scale disasters. Frequent areas of dispute include:

- **Valuation:** Disagreements over the ACV or RCV assigned to the dwelling, other structures, or specific personal property items.
- **Scope of Damage:** Conflicts over what damage is covered, the extent of necessary repairs, or whether an item should be repaired versus replaced. The insurer's proposed Scope of Loss may omit necessary work, or underestimate the cost of materials and labor.
- **ALE Costs:** Disputes over whether specific Additional Living Expenses are reasonable, necessary, or meet the "comparable standard of living" criteria.
- **Repair vs. Replace:** Arguments over whether damaged property (like a partially burned roof or smoke-damaged contents) can be adequately

- repaired or requires full replacement.
- Ordinance or Law: Disagreements about which building code upgrades are required and covered under the Ordinance or Law provision.
  - Claim Delays: Unreasonable delays in communication, inspections, decision-making, or payments by the insurer.

## **Negotiation Strategies**

When disputes arise, policyholders can employ several strategies to negotiate effectively:

- Stay Organized and Factual: Base arguments on the policy language and supporting documentation – photos, videos, communication logs, independent contractor estimates, receipts, expert reports.
- Communicate in Writing: Follow up phone calls with emails summarizing the discussion and outlining points of disagreement and requested actions. This creates a clear record.
- Be Persistent but Professional: Continue to follow up with the adjuster and escalate to supervisors if necessary. Maintain a firm but courteous tone. Avoid emotional outbursts, focusing instead on the objective facts and policy provisions.
- Reference Policy Language: Clearly point to the specific sections of the insurance policy that support the claim position.

Navigating these disputes adds another layer of stress to an already traumatic situation. Focusing on objective evidence and clear communication can help manage the emotional toll. It's helpful to view negotiation not as a personal battle, but as a standard, albeit challenging, part of ensuring the insurer fulfills its contractual obligations. Understanding common insurer tactics, such as delays or rotating adjusters, can prepare policyholders to respond effectively. A well-documented, fact-based approach provides the strongest foundation for productive negotiation.

## **The Appraisal Process**

Most homeowners policies contain an "appraisal clause" which provides a mechanism for resolving disputes specifically about the *amount* or *value* of the loss (it cannot resolve disputes about *what* is covered). If the policyholder and insurer agree on the scope of what needs to be repaired/replaced but disagree on the cost, either party can invoke appraisal.

The process typically involves:

1. Each side hires their own independent appraiser.
2. The two appraisers attempt to agree on the amount of loss.
3. If they cannot agree, they jointly select a neutral third-party "umpire."
4. An agreement reached by any two of the three (the two appraisers, or one appraiser and the umpire) becomes binding on both the policyholder and the insurer regarding the value of the disputed items.

Appraisal can sometimes be faster and less expensive than litigation, but hiring a competent appraiser involves costs.

### **Filing a Complaint with the California Department of Insurance (CDI)**

The California Department of Insurance (CDI) regulates insurance companies operating in the state and assists consumers with insurance-related problems. Policyholders can file a formal complaint with the CDI if they believe their insurer is acting improperly.

Grounds for a complaint might include:

- Unreasonable delays in processing the claim.
- Suspected unfair claim settlement practices (e.g., lowball offers without justification, misrepresenting policy provisions).
- Failure to communicate or respond.
- Potential insurance bad faith (discussed further in Chapter 9).

The CDI will investigate the complaint, contact the insurance company for a response, and may attempt to mediate the dispute. While the CDI cannot force an insurer to pay a claim or dictate a specific settlement amount, its findings can put pressure on the insurer, and a pattern of complaints can lead to regulatory action. Information on filing a complaint is available on the CDI website.

## **Chapter 9: When to Seek Professional Help: Public Adjusters and Attorneys**

### **Recognizing When You Need Help**

While many claims can be navigated successfully by the policyholder, there are situations where professional assistance is advisable or necessary. Signs that help might be needed include:

- Feeling completely overwhelmed by the claims process and documentation requirements.
- Having a very large or complex claim (e.g., total loss of a high-value home with unique features).
- Facing significant disagreements or disputes with the insurer that cannot be resolved through direct negotiation.
- Suspecting the insurer is acting in bad faith (see below).
- Dealing with substantial underinsurance and needing expert negotiation to maximize recovery.

### **Role of a Public Adjuster (PA)**

A Public Adjuster (PA) is an insurance adjuster licensed by the state who works exclusively for the policyholder, not the insurance company. PAs assist with all aspects of preparing, documenting, and negotiating the claim.

- **Expertise:** PAs are typically experts in policy interpretation, damage assessment, cost estimating, and negotiation tactics.
- **Representation:** They act as the policyholder's advocate throughout the process.
- **Compensation:** PAs are paid a percentage of the final claim settlement amount, typically ranging from 5% to 15%. California often imposes caps on PA fees following declared disasters.

**Pros:** A good PA can save the policyholder significant time and stress, potentially increase the settlement amount through their expertise, and manage the complex documentation process.

**Cons:** The PA's fee reduces the net settlement amount received by the policyholder. The quality and experience of PAs can vary, making careful vetting essential.

### **When You Might Need an Attorney Specializing in Insurance Bad Faith**

While disputes are common, sometimes an insurer's conduct goes beyond a reasonable disagreement and may constitute "bad faith." Insurance bad faith occurs when an insurer unreasonably denies, delays, or undervalues a claim without proper justification, essentially breaching its duty to treat the policyholder fairly.

Examples of potential bad faith conduct include:

- Misrepresenting policy terms or coverage.
- Failing to conduct a thorough and timely investigation.
- Making unreasonably low settlement offers ("lowballing") without a

factual basis.

- Using deceptive or coercive tactics to force a lower settlement.
- Unjustifiably delaying decisions or payments.

If a policyholder suspects bad faith, consulting with an attorney specializing in insurance law is recommended. An attorney can provide legal advice, represent the policyholder in negotiations or litigation, and potentially seek damages beyond the policy benefits (such as emotional distress damages or punitive damages) if bad faith is proven. Most experienced policyholder attorneys work on a contingency fee basis, meaning they receive a percentage of the amount recovered, rather than charging hourly fees upfront.

### **Finding Reputable Help**

Whether considering a PA or an attorney, careful vetting is crucial:

- **Seek Referrals:** Ask for recommendations from trusted sources like financial advisors, accountants, or attorneys practicing in other fields.
- **Check Credentials:** Verify licenses with the California Department of Insurance (for PAs) or the State Bar of California (for attorneys).
- **Use Professional Organizations:** Resources like United Policyholders ([uphelp.org](http://uphelp.org)) offer guidance on finding help, and the National Association of Public Insurance Adjusters (NAPIA) lists member PAs.
- **Interview Candidates:** Speak with multiple potential PAs or attorneys. Ask about their specific experience with *wildfire* claims in California, their fee structure, and their approach to handling claims like yours. Request references from past clients.
- **Beware of Red Flags:** Be cautious of anyone using high-pressure sales tactics, demanding large upfront fees (especially PAs, whose fees should be contingent on settlement), or approaching unsolicited immediately after the disaster.

## **Chapter 10: Essential Resources and Next Steps**

### **Consolidated List of Key Contacts and Links**

Navigating the recovery process involves interacting with numerous agencies and organizations. Keeping key contact information readily accessible is helpful.

### **Quick Resource Directory**



Resource Name	Contact Info / Website Link	Purpose
California Department of Insurance (CDI)	1-800-927-HELP (4357) / <a href="http://www.insurance.ca.gov">www.insurance.ca.gov</a>	Consumer assistance, complaints, insurance information, verify licenses
United Policyholders (UP)	<a href="http://www.uphelp.org">www.uphelp.org</a>	Non-profit expert guidance, claim tips, finding help
Contractors State License Board (CSLB)	1-800-321-CSLB (2752) / <a href="http://www.cslb.ca.gov">www.cslb.ca.gov</a>	Verify contractor licenses, file complaints against contractors
Federal Emergency Management Agency (FEMA)	1-800-621-FEMA (3362) / <a href="http://www.disasterassistance.gov">www.disasterassistance.gov</a>	Disaster registration, potential grants, housing assistance
U.S. Small Business Administration (SBA)	1-800-659-2955 / <a href="http://www.sba.gov/disaster">www.sba.gov/disaster</a>	Low-interest disaster loans for homeowners, renters, businesses
Local Recovery Resources	Check City/County websites (e.g., LA County, City of Malibu)	Information on local assistance centers, debris removal programs, permits

*(Note: Links and phone numbers are subject to change; verify before use.)*

### **Checklist for Ongoing Claim Management**

Staying organized is crucial throughout the long process of claim settlement and rebuilding. Consider this checklist:

- Maintain an updated Communication Log of all interactions with insurer/adjuster.
- Keep all receipts related to ALE and property replacement organized (chronologically, by category).
- Track all claim-related deadlines (Proof of Loss, inventory submission, statute of limitations). Request extensions in writing if needed.
- Review all documents from the insurer, especially the Scope of Loss and settlement offers.

- Obtain independent estimates for repairs/rebuilding.
- Follow up regularly with the adjuster on claim status.
- Document agreements and disagreements in writing.
- Escalate issues to supervisors or the CDI if progress stalls or treatment seems unfair.
- Back up all digital documents and photos securely.

### **Moving Forward: Long-Term Recovery**

The insurance claim is a major component of recovery, but it is only one part of a much longer journey. Rebuilding a home and a life after such devastating loss takes time, patience, and resilience. Connecting with community support groups, accessing mental health resources, and leaning on friends and family are vital aspects of the healing process.

While the challenges are immense, understanding the insurance process, knowing policyholder rights, and utilizing available resources can provide a measure of control and empowerment during a difficult time. This guide aims to equip survivors of the Palisades/Malibu fires with the knowledge needed to advocate effectively for their rightful recovery and take crucial steps toward rebuilding their future.