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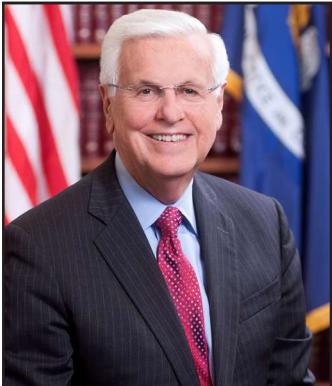
Louisiana  
Department of  
Insurance

# CATASTROPHE CLAIMS PROCESS DISCLOSURE GUIDE



**Jim Donelon, Commissioner of Insurance**

*November 2022*



## A message from Commissioner of Insurance Jim Donelon

There is a good chance your home is both the single most expensive item you will ever purchase and your most valuable investment. Having insurance and understanding your coverage is essential to living in Louisiana.

This **Catastrophe Claims Process Disclosure Guide** was created to give policyholders like you a detailed overview of the claims process, including an explanation of the supplemental claims process, the methods used to calculate deductibles, the difference between actual cash value and replacement cost, your rights and duties as a policyholder, the items you will need to properly document and support your claim, the issues that frequently arise when asserting a claim involving mortgaged property, the procedure for filing a complaint against your insurance company with the Louisiana Department of Insurance, the procedure for filing a complaint against your lender or mortgage servicer with the Office of Financial Institutions, and the process for utilizing the Hurricane Mediation Program to resolve disputed claims related to your residential property.

Feel free to call us here at the Louisiana Department of Insurance at 1-800-259-5300 if you have questions about the information in this Guide.

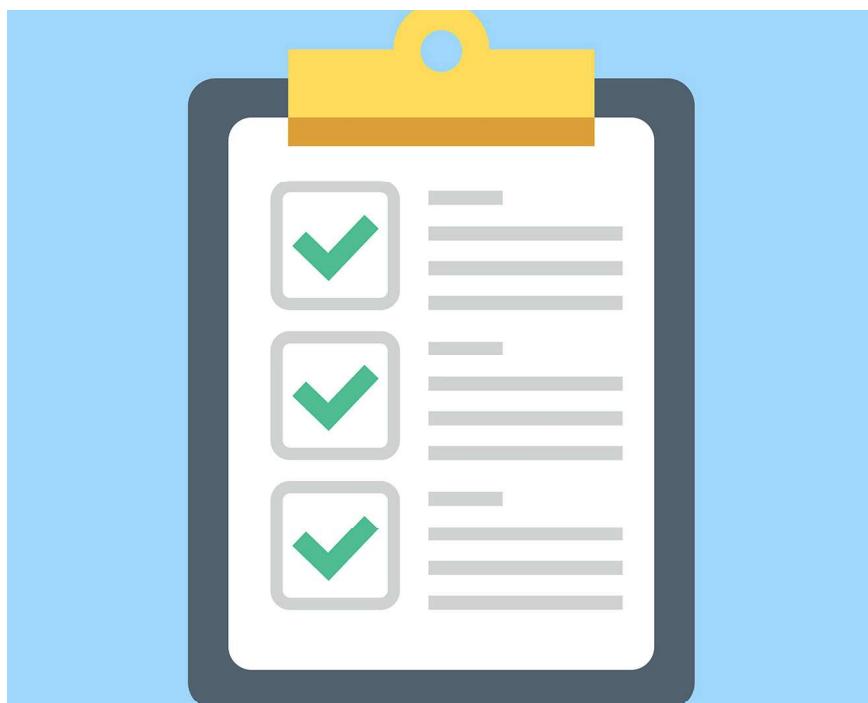
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*This document is intended for informational purposes only and does not change or otherwise impact any terms or conditions set forth in your policy. Additionally, the information contained in this document is not binding and does not create any rights or obligations on you as a policyholder or on your insurance company. The language contained in your policy will govern any dispute that arises between you and your insurance company.*

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# I. THE CLAIMS PROCESS

## I filed a claim with my insurance company — what can I expect?

- The insurance claims process typically involves multiple steps beginning the moment you file your claim and ending upon the full and final resolution of your claim.
- As the policyholder, you assist in the process by gathering and sending your insurance company relevant materials such as purchase receipts, invoices, before-and-after photographs of your property, inventory materials, proof of property ownership and similar items.

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**The claims process generally involves the following steps:**

**Filing of claim.** You completed this step when you filed a claim with your insurance company.

**Claim investigation.** After reporting your losses, your insurance company will open a claim file and assign an adjuster to investigate your claim on its behalf.

**Insurance policy review.** Once the investigation is complete, a representative of the insurance company will review your policy to determine what is and is not covered under your policy and inform you of any applicable deductibles.

**Damage evaluation.** To accurately evaluate the extent of the damage, your insurance company may hire appraisers, engineers, or contractors to provide expert advice.

**Payment and resolution of your claim.**

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- While your claim is pending, your insurance company is required to complete certain tasks and to refrain from others, all to provide you a timely and fair claim process.

*Your insurance company is **required** to:*

- **ASSIGN A QUALIFIED CLAIMS ADJUSTER** to your file who will promptly adjust your damage claim.
- **BEGIN WORKING** on, or adjusting, your claim no later than 30 days from the date your claim was filed, unless extended by the Insurance Commissioner.
  - This is typically done by assigning an adjuster to inspect your property damage and/or to ask questions concerning your claim.
- **SEND A WRITTEN OFFER** to settle the undisputed portion of your claim no later than 30 days after receiving satisfactory proof of loss.
- **IDENTIFY OVERHEAD AND PROFITS** of a general contractor (if used in your case) at the time your claim is paid.
  - This is required whether your damages are calculated by your property's actual cash value or by its replacement cost.
- **RESPOND TO YOU** within 14 days if you have any questions or requests regarding your claim, unless extended by the Commissioner.
- **PAY YOU**, upon your request, the estimated value of three months of additional living expenses (ALE) if your policy covers ALE and you experienced a total loss.
- **PROVIDE COPIES OF MATERIALS** generated during the adjustment of your property damage claim upon your request.
  - These materials include estimates, bids, plans, engineer and contractor reports, measurements and drawings.

*Your insurance company is **prohibited** from:*

- **INTENTIONALLY OR UNREASONABLY DELAYING** the issuance of any valid settlement check.
  - **RECOMMENDING A PARTICULAR VENDOR OR CONTRACTOR** without also telling you that you are not obligated to use those services.
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### ***Important Terms in the Claims Adjustment Process:***

- ***Actual Cash Value (ACV)*** is the cost of replacing damaged or destroyed property **minus depreciation**. The ACV amount is what your property was worth, considering its age and condition, at the moment the loss occurred.
- ***Additional Living Expenses (ALE)*** is a type of coverage that pays or reimburses you for some of the costs of residing in a temporary location until your home can be repaired.
- ***Adjusters/Claims Adjusters*** are responsible for investigating and evaluating your claim on behalf of the insurance company. They determine the amount of damage to your property as well as whether, and at what cost, the property should be repaired or replaced.
- ***Commissioner*** means the Louisiana Commissioner of Insurance.
- ***Depreciation*** is the amount of value your property loses over time due to age and condition.
- ***LDI*** means the Louisiana Department of Insurance.
- ***Replacement Cost (RC)*** is the cost of replacing damaged or destroyed property using materials of like kind and quality without deducting for depreciation. The age and condition of your property at the time of loss is not considered when calculating the RC amount.

## II. SUPPLEMENTAL CLAIMS

### What if I find more damage after I receive a check?

*You can submit a supplemental claim for the additional loss.*

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- **POLICYHOLDERS OFTEN RECEIVE MORE THAN ONE CHECK** during the claims process.
- **CASH THE CHECK** even if you think the amount of your initial payment is too low.
  - Doing so **DOES NOT** mean you agree with the amount of the initial check.
  - The initial check only represents what your insurance company believes you are owed based on the adjuster's investigation to that point.
  - You may use the initial payment to begin repairing or replacing your damaged property.
- You can **FILE A SUPPLEMENTAL CLAIM** later if additional damage is discovered or if the repairs are more expensive than anticipated.
- You may even **FILE MULTIPLE SUPPLEMENTAL CLAIMS** if needed to restore your home or other property to its pre-storm condition.
  - The right to file a supplemental claim is controlled by policy language but generally available for up to two years.
  - Please review your policy for more information regarding your right to file a supplemental claim.



### III. DEDUCTIBLES

#### What are the different types of deductibles and how do I calculate mine?

**A deductible is the amount of money you agree to pay out of pocket for a claim and is subtracted, or “deducted,” from the total amount your insurance company will pay toward your claim.**

Examples of the types of deductibles that may be contained in your policy are listed below. Please note, your policy may include deductibles that are not listed here. Refer to your policy's [DECLARATIONS PAGE](#) or contact your insurance company if you have questions about your deductibles.

- **Standard (or All Perils) Deductibles** are what you pay for damage or loss caused by covered events like fires.
- **Named Storm (or Hurricane) Deductibles** are generally higher than Standard Deductibles and are what you pay for damage or loss from hurricanes and other named storms.
- **Wind and Hail Deductibles** are what you pay for damage or loss from wind and hail, which may include damages from named storms.

#### How are deductibles calculated?

- A deductible can be either a flat dollar amount (i.e., \$1,000) or a percentage (i.e., 2%) of the insured value of your property.
- If your deductible is a flat dollar amount, the stated amount of that deductible will be subtracted from the total amount your insurance company will pay toward your claim.
- If your deductible is a percentage of the insured value of your property, your deductible will be calculated by multiplying the stated percentage by the insured value of your property.
- For example, if your home is insured for \$200,000 and you have a 2% named storm deductible, your named storm deductible amount would be \$4,000.

## IV. ACTUAL CASH VALUE (ACV) VS. REPLACEMENT COST (RC)

### What do ACV and RC mean and how are they different?

**ACV and RC are different methods used for determining the value of your property.**

- **ACV** is the cost to repair or replace your damaged or destroyed property, minus the depreciation.
  - The goal is to make you whole, which means returning you to the exact position you were in just before your loss — **NO BETTER, NO WORSE.**
  - Depreciation is the amount of value your property loses over time due to factors such as age and wear and tear.

**EXAMPLE:** A hurricane caused \$10,000 in roof damage to a home with a \$200,000 insured value. The home's insurance policy includes a 2% named storm deductible and provides ACV coverage. Here is the breakdown:

DAMAGED ITEM	DAMAGE AMOUNT	DEPRECIATION	2% STORM DEDUCTIBLE	PAYMENT
Roof	\$10,000	-\$5,000	-\$4,000	= \$1,000

- **RC** is easier to calculate. It is simply the cost to replace your item with another item of like kind and quality.
  - Unlike ACV, RC places you in a better position than you were in just before your loss — **NEW FOR OLD.**
  - If your policy provides for RC, your insurance company will likely pay the ACV initially and will then pay the actual and necessary costs to complete the repair or replacement of your property.

**EXAMPLE:** A hurricane caused \$10,000 in roof damage to a home with a \$200,000 insured value. The home's insurance policy includes a 2% named storm deductible and provides RC coverage. Here is the breakdown:

DAMAGED ITEM	DAMAGE AMOUNT	DEPRECIATION	2% STORM DEDUCTIBLE	PAYMENT
Roof	\$10,000	\$0	-\$4,000	= \$6,000

## V. POLICYHOLDER RIGHTS AND PROTECTIONS

### What are my rights with respect to the claims process?

**You are provided certain rights and protections under Louisiana law and in your insurance policy.**

Louisiana lawmakers have established a Policyholder's Bill of Rights that provides you with important rights and permissions under the law. Specifically, as a policyholder, **YOU HAVE THE RIGHT TO:**

- Balanced and positive regulation by the LDI.
- Receive prompt service from competent, honest insurance producers.
- Receive a fair claim adjustment that is free from unfair or deceptive trade practices.
- Receive true, accurate, and balanced sales information on policy benefits and limitations.
- Receive competitive pricing and marketing so you can compare coverage options.
- Receive a readable, complete and, if necessary, duplicate copy of your policy.
- Receive appropriate disclosure forms accompanying your policy.
- Receive written notice of any policy changes at time of renewal.
- Receive timely notice of cancellation or nonrenewal of your policy.
- Receive written reasons for any cancellation or nonrenewal of coverage.
- Receive claim payments within 30 days of providing satisfactory proof of loss.
- Receive a written explanation of the reason(s) for denying a claim.

Also, as a Louisiana policyholder, **YOU ARE PERMITTED TO:**

- Cancel your policy and receive a refund of any unearned premium.
- Check the license status of your insurance company, producer or adjuster.
- Request non-privileged documents and materials prepared for or used in the adjustment of your claim.
- Request that the LDI investigate an insurance company, producer or adjuster.

## VI. POLICYHOLDER DUTIES

### I reported my damages and filed my claim — what am I required to do while my claim is pending?

*The most common policyholder duties include: 1) duty to notify the insurance company of a loss, 2) duty to cooperate with the insurance company, and 3) duty to mitigate damages.*

Your insurance policy is a **CONTRACT** between you and your insurance company and is the most important source of your duties as a policyholder. Carefully review your policy to determine which duties apply to you.

- You are expected to reasonably cooperate with your insurance company. From a practical standpoint, cooperating with your insurance company should help promote a more efficient claim adjustment process.
- Be prepared to do the following as part of your **DUTY TO COOPERATE**:
  - Make your property available for inspection.
  - Prepare an inventory of your property.
  - Complete and send a signed proof of loss form to your insurance company.
  - Complete and return claim and loss forms to your insurance company.
  - Provide documents to your insurance company when requested.
  - Meet with your adjuster and answer questions related to your claim.
- Do not hesitate to collaborate with your insurance company and ask what documents, forms or data is needed to process your claim.
- Most policies require policyholders to “mitigate” damages after a catastrophe. A “duty to mitigate” damages means you are required to take reasonable steps to protect your property from further damage.
- In most cases, your **DUTY TO MITIGATE** requires you to:
  - Make temporary repairs to prevent further losses from the elements and to secure your property, including boarding up windows, placing plastic tarps over holes in the roof, and drying out wet carpets and furniture.
  - Remove wet items from your house to protect against mold.
  - If possible, do not dispose of any items after removal as your insurer may need to inspect the damages. If the items need to be removed, photograph the items.
- Keep receipts for materials used and a record of repairs for the adjuster.
- Do not begin permanent repairs until after you are instructed to do so.

## VII. PROPERLY DOCUMENTING A CLAIM

### What types of records are needed to support my property damage claim?

***Any and all records that address either your losses or your loss-related expenses will help promote a fair and efficient adjustment of your claim.***

Your insurance company must receive proof of your damages to properly process your claim. The more detailed your records, the faster your claim can be processed and the more likely the full settlement value of your claim can be realized. To properly document your claim, **DO THE FOLLOWING:**

- **ALWAYS** provide accurate and complete information. Incorrect or incomplete information could delay the claim process and settlement.
- Prepare an itemized inventory of all lost, damaged or destroyed items.
  - Include as much detail as possible, including model and serial numbers, purchase date and price, and any other identifying information.
- Take pictures and videos of your damage both inside and outside your home.
  - Labeling your photos helps eliminate potential confusion and delay for a more efficient and potentially favorable claim result.
- Create a log listing all temporary or emergency repairs and repair costs.
- Keep and copy all receipts documenting:
  - Expenses related to temporary or emergency repairs.
  - Additional living expenses incurred while displaced from your home.
  - Purchases of newly acquired items.
- Make copies of appraisals related to any unique property you own.
- Collaborate with your insurance company. Ask what documents, forms and other materials are needed from you regarding your claim.

Avoid making the following mistakes:

- Do not throw away any items until an adjuster has inspected it or your insurance company tells you otherwise.
- Do not make permanent repairs without discussing the issue with your insurance company.

## VIII. FILING A COMPLAINT AGAINST YOUR INSURER

### What if my insurance company mishandles my claim or settlement?

**If you believe your insurance company has taken improper action on your claim, you can file a complaint with the LDI.**

The LDI receives thousands of insurance-related complaints annually, and each year it helps thousands of policyholders get insurance payments, benefits and other services from insurance providers licensed in Louisiana.

The LDI is available and eager to help you by enforcing the insurance laws and regulations of this state by providing you with consumer resources and by thoroughly investigating any complaint related to the handling or settlement of your insurance claim.

- If you suspect your insurance company delayed, underpaid or wrongfully denied your claim, you can file an insurance complaint and request that the LDI investigate your insurance company's handling of your claim.
- The easiest way to file a complaint is online at [www.ldi.la.gov](http://www.ldi.la.gov).
  - When you reach the website, locate the "How Do I . . .?" section, select "File a Complaint," then select the "I am a consumer" option.
  - A video and step-by-step guide is provided on the website to walk you through the process of filing a complaint.

You can also obtain a paper copy of the complaint form by contacting the LDI at the toll-free number provided below or by printing it from the LDI website.

**HOW TO CONTACT LDI**  
(225) 342-5900 or (800) 259-5300  
[www.ldi.la.gov](http://www.ldi.la.gov)

Louisiana Department of Insurance  
P.O. Box 94214  
Baton Rouge, La 70804-9214

## **IX. DAMAGE TO MORTGAGED PROPERTY**

### **Why is my mortgage company included on my claim payment?**

*Most insurance policies include language stating that it is required to include or pay every person or organization that has an insurable interest in the property. This means if you have a mortgage on your home or property that is part of your property damage claim, your lender or mortgage servicer will be included as a payee on any settlement check issued for damage to the mortgaged property.*

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### **Do I have to send my settlement check to my mortgage company for endorsement?**

*Most likely, yes. If your mortgage company or servicer is named as a payee on the settlement check, it will need to endorse (sign) the check before it can be cashed. Contact your mortgage company directly to determine its process for endorsement.*

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### **What should I do if my bank won't cash my settlement check?**

*Banks typically require that all payees listed on the check endorse (sign) the check. Every bank has its own guidelines for endorsements. Consider contacting a representative of your bank to request an explanation if it is not willing to cash your check.*

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### **What should I do if my mortgage company refuses to endorse the check or release the settlement funds?**

*Each mortgage company has its own guidelines with respect to dealing with property damage claims. Consider contacting your mortgage company directly to discuss its guidelines for releasing claim payments and to determine whether you may receive a portion of the settlement funds to begin repairing or replacing your property.*

## X. FILING A COMPLAINT AGAINST YOUR LENDER

**What should I do if my mortgage company holds the settlement check or refuses to issue funds needed to repair my home?**

**Contact the Louisiana Office of Financial Institutions to report the issue.**

- If you have a mortgage on the property involved in your claim, some or all of your settlement checks will be made payable jointly to both you and your mortgage company. This is done because your lender has a financial interest in the insured property that your insurance company must honor and protect.
- If your lender or mortgage servicer refuses to send you funds received from your insurance company that you need to repair your home, you can file a complaint with the Louisiana Office of Financial Institutions (OFI).

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**HOW TO CONTACT OFI**  
(225) 925-4660  
[www.ofi.state.la.us](http://www.ofi.state.la.us)

Louisiana Office of Financial Institutions  
P.O. Box 94095  
Baton Rouge, La 70804-9095



## XI. USING THE HURRICANE MEDIATION PROGRAM

### Does Louisiana have a program that may help resolve my claim?

**Yes. The Louisiana Legislature enacted a voluntary Hurricane Mediation Program that is available if you and your insurance company agree to mediate your residential property damage claim.**

- **MEDIATION** is a process by which parties agree to take part in a structured settlement negotiation through the guidance of a neutral expert.
- The purpose of the voluntary Hurricane Mediation Program is to give policyholders and insurance companies a way to settle residential property claims in a timely and low-cost manner.
- The program is available for all residential property damage claims that:
  - Arise from a named windstorm event resulting in the governor of Louisiana declaring a state of emergency, and
  - Involve property located within an area declared to be part of the state of emergency.
- If your insurance company agrees to participate in the Hurricane Mediation Program, you are responsible for contacting one of the participating mediation firms listed on the LDI's website.

If you are interested in participating in the Hurricane Mediation Program, contact one of the mediation firms listed at [www.ldi.la.gov](http://www.ldi.la.gov).

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