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Navigating a Property Loss/Claim

Extreme cold temperatures have caused a large number of property damage due to burst pipes in North Texas.

If you are in need of repairs due to this, SLM General Contractors, LLC can help around Collin County with the rebuild phase of this.

Here are, in our previous experience, the steps a homeowner needs to take if you find yourself in this situation. (WARNING: it's a long read but we think is worth the time)

1. Shut the water off from the main shut-off valve by your water meter. See helpful (not ours) video here: <https://youtu.be/dJ0XzQmurbw>
2. Find a plumber to repair the source of the leak (save all receipts) but be aware your insurance policy may or may not pay for this. Ask your agent for what is covered and what is not.
3. Find a water restoration company to dry out your home with the right equipment like air movers, dehumidifiers, and air scrubbers, among other equipment. An experienced water restoration company will handle dealing with your insurance carrier once you sign up with them.
4. Now, for the repairs after the drying up phase: call your homeowners insurance and ask for the property claims department.

If you don't know your policy number, the claims department should be able to find your information by confirming your identity and home address. You could call your insurance agent to have them file the claim but keep in mind that they may be dealing with a large number of clients at this time so save a step by calling yourself if possible.

Explain what happened, they will give you a claim number (or maybe the same one given to the water restoration company). Save this claim number as you will be using this for the duration of the repairs. They will tell you at this time if they will be sending a field adjuster or not. If they are, you will get a call in a few days from a field adjuster to give you a date and an approximate time of arrival to assess the damage.

In the insurance process, most of the time there are two types of adjusters. One being the field adjuster, which is the one that goes to the property to assess the damage and then that field adjuster passes on this information (photos and sketch of the affected areas) to a desk adjuster who usually will be your point of contact for release of payment and to whom you (or your contractor) can report additional damages found before or after the repairs begin.

Please be aware that with the onset of COVID last year, many insurance companies are not sending field adjusters out to assess the damage. Instead, and in some cases, they are asking homeowners to get an estimate from a contractor and submit it to the desk adjuster. As such, a potential service provider/contractor may charge an up-front fee to create a scope of loss and such fees would be submitted as part of the overall claim to your insurance provider. This means that you may be required to pay for it out of pocket until you are reimbursed by way of a settled claim.

During this time DO NOT fall for the "Three Estimate Rule". You have the right to choose the contractor of your choice, so find a contractor that is reputable & knowledgeable. They should know how the insurance process works, be able to capture everything that was damaged, and be expert in the proper method of repairs. Some homeowners tackle a property loss claim as if they were paying for it out of pocket and look for the lowest price. Please remember that a "lower price" does not mean the best service or workmanship.

In the end, your insurance provider has to approve the estimate before they send any payments. Assuming that all of the work performed is covered by your insurance policy, all you should have to pay is your deductible.

Additionally, do not be surprised if an experienced contractor asks you for a contingency agreement before they spend hours with you. This ensures that the contractor creating the report and detailed scope of work, along with photos & sketch to be submitted to your insurance provider, is not doing so in vain. A reputable contractor will want a commitment that they will be doing the repairs in exchange for all of their pre-construction work and knowledge. You'd be surprised how many homeowners have a contractor spend 6-10 hours preparing all of this information only to find out that after the homeowner received the funds from the insurance they had their "cousin" do the repairs and kept most of the insurance payment to themselves. Please don't be "that guy/gal". Instead, be upfront with the contractor and work out a payment for his time and knowledge to do all this pre-construction work.

Something else worth mentioning is that when you receive the initial Scope of Loss from your insurance company it doesn't mean that this is all the compensation you may receive for your claim. In our experience, the scope of loss can be amended to allow for items not accounted for during the initial assessment, or for damages discovered during demolition & initial repair. These additional items can and are submitted as a "supplement" and/or "supplemental," and as long as your carrier and your policy cover these items then they can be requested after the initial scope of loss has been issued.

5. Regarding payment disbursement: in some cases, if the dollar amount of the claim passes a certain threshold and there is still a mortgage held against the property, the initial payment from your insurance provider will have the policyholders name and the name of the financial institution holding the mortgage listed on the check.

If this is the case, then you need to contact your mortgage company's property loss department. If you have a mortgage with Wells Fargo, Chase, or Bank of America, based in our previous experience, you can have them endorse this check at a local branch with the required paperwork.

If your mortgage company is out of town, then a contractor packet needs to be requested from them, filled out, and submitted. In some cases, they ask for a copy of the contract between the homeowner and the contractor doing the repairs, your contractor's W9, a copy of their General Liability insurance, and a copy of the insurance scope of loss.

Once this packet is filled out, it is sent to the mortgage company along with the initial check sent by your insurance company. You must then wait for the funds to be released in the form of a check made out to the homeowner and the contractor of record. The timeframe for this could take a week or more.

NOTE: the insurance company will not release the full amount of the cost of repairs on the first payment. Usually, they hold back an amount that can be requested only after the repairs have been done and proof that your deductible amount has been paid to your contractor. This may be what they call the "depreciation amount."

At this time it is very important that the mortgage company release the full amount of the initial check sent by the insurance provider. We have seen cases where the mortgage company wants to release only part of the insurance claim check and when they limit this funding it may prove too little to cover the cost of materials, or labor, or both. If this is the case do not be surprised if a reputable service provider/contractor refuses to perform the work. Alternately you may have to pay out of pocket for the work to commence or continue. Reimbursement for you would only come after the work was performed in full and final claim amounts paid by your insurance provider and in turn your mortgage holder.

Obviously, once the funds arrive from your insurance provider and/or mortgage holder, then repairs can begin.

There are other steps that happen during the repair process but I want to leave you with a few last suggestions:

- 1) You must understand what your policy will and will not cover.
- 2) Trust your instincts... if a particular service provider seems "off" they typically are... if something doesn't feel right it usually is not.
- 3) Be certain that your service provider/contractor has general liability insurance... don't just ask... have them provide you with a copy.
- 4) You alone are financially responsible for the corrective repairs performed on your home. Although your insurance policy may cover the entirety of the repair costs, it may be up to you to cover payments between when work has been performed & completed by a service provider and when your insurance provider and/or mortgage company release

the remaining claim amounts. Reputable contractors do not work for free nor should they.

- 5) Do not be surprised if a service provider/contractor assesses a fee to generate a scope of loss. As this is normally performed by your insurance provider it is not unreasonable for an independent service provider to charge for his or her time.
- 6) It is against the law for a service provider/contractor to “cover your deductible.” Do not ask a possible service provider/contractor to do this. Reference Texas House Bill 2102-<https://www.propertyinsurancecoveragelaw.com/2019/06/articles/state-legislation/no-way-ing-of-deductibles-bill-texas-hb-1202/#:~:text=The%20first%20full%20paragraph%20states,Ins.>
- 7) BE AWARE... depending upon your scope of loss it may be necessary for a service provider/contractor to pull permits with your city to perform & have inspected some scope of work. Please understand that this often adds more “wait time” before corrective work can begin.

I hope all of this helps in how to deal with your property loss claim.

Now to the legal stuff... UPPA Disclaimer:

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