



Handling Homeowner Insurance Claims

Before you start: Unless your home is paid for, the process of rebuilding or repairing will typically involve four parties: you, the insurance company, your mortgage lender and the building contractor. Before you start *anything*, get a notepad and pen. Keep a log of all communications between you and your insurance company, mortgage lender, and contractor, including the date, the name, department and direct contact information (telephone extension and email) of the person you spoke with and what you talked about. If anything goes wrong, you will need this information to protect your legal rights. Make sure you understand documents from your insurer, lender and contractor before you sign. There may be deadlines but don't feel pressured to sign anything on the spot if you don't understand it. Take it with you to review, ask questions and get legal advice. If English is not your first language, ask them for a translated version.

How do I make an insurance claim? Contact the claims department of your insurance company. For a list, go to https://apps.tdi.state.tx.us/pcci/pcci_search.jsp. If you don't have a copy of your policy, ask them to send one to you. Most policies require claims to be made within one year of the date of loss. Companies often have special procedures to follow for disaster-related claims. Your insurance company is required by law to act on your claim promptly. It must *accept or reject* your claim within 15 days (30 days in a disaster situation) from the date you submit the claim information to the insurer. If they delay or reject your claim, they must provide a *written explanation* of the delay or rejection. If your claim is *accepted*, the insurance company has 5 business days to mail the insurance check to you. If you are financing your home, the check will be made payable to both you and your mortgage lender. The lender must endorse the check within 10 days from the date they receive your insurance company's request for endorsement to make the funds available for repairs or rebuilding.

Why does my insurance check have to go through my mortgage company first? Your mortgage documents are set up to protect the mortgage company. When you borrowed money to buy your home, you and your mortgage lender became "co-insured" for any damage to your home. Your property and the house are collateral for the mortgage loan. If you took the insurance money to rebuild the home disappeared with it instead, the mortgage lender would be left with a damaged house that isn't paid for. For this reason, your insurance checks will be made out to both you and the lender.

How do I get insurance money released from the mortgage company? Before you can begin to rebuild, you need to be clear on the process of how to get your mortgage lender to let go of your insurance proceeds. After the insurance company issues the check to you and your mortgage lender, the insurance money will be placed into an escrow account set up by the mortgage company. The funds will be released from escrow in stages (progress payments) as you rebuild or repair your home. Typically, 1/3 of the money held in escrow will be released up front, another 1/3 after an inspection to verify that the work is 50% completed, and the remaining 1/3 after all the work has been completed and a final inspection has been performed.

Can the mortgage company use the insurance proceeds to pay off the mortgage? Not without your permission. Your mortgage lender will probably give you the option to use the insurance check (made out to you and the lender) to spend it on repairs or rebuilding or to apply it to your mortgage. *Don't be pressured by your lender into paying down your mortgage with insurance proceeds.* If you use the money to pay down the mortgage, you won't have any money to pay for repairs or to rebuild your home.

My contractor won't agree to finish without another payment. What can I do? Builders and contractors are used to being paid in installments, or progress payments, as the work proceeds (see above). Funds are released from escrow only after your mortgage lender verifies that a particular stage of the work has been done, then the money goes to you to pay the contractor. Funds can be released directly to the contractor, but only with your *written* permission. Your contractor will probably ask you to sign a release to allow this but it is optional. If you authorize the contractor to do any work not specifically covered by insurance proceeds (so-called "add-ons") get a separate *written* contract.