



## **Houston Home Renovations and Insurance Claims**

Houston Texas homes, property and lives have been devastated by Hurricane Harvey. Our heartfelt regrets to those individuals and their families that have experience personal loss.

Storms do not care if your home has recently been built or remodeled or if it is in need of an update or a complete home remodeling. Storm damage is a game changer to economic property values. The equalizer is your home and property damage insurance coverage. Although Hurricane Harvey has been an epic disaster event, those who have both flood and homeowners insurance policies can rebuilt their homes. To those who did not have homeowners insurance, this will be a financial challenge that is likely felt for many years to come.

As one would expect, after such a serious event that Houston homeowners have experienced their heads are spinning and they are typically overwhelmed. If you were flooded by this storm your initial concerns were rightfully focused on your personal safety. After securing temporary lodging, your thoughts turn to your property. The first of which involves notifying your insurance company of your loss. They will typically provide you instructions to mitigate any further losses by contacting a disaster restoration specialist to begin the removal of damage household products.

After the homeowner has gotten their bearings, the rebuilding process and procedures get very confusing to most people. We are preparing this article in an effort to assist homeowners in understanding their rights under their Texas homeowners policy and the proper process to protect their interest. We will also explore the rare subsidized remodeling opportunity that only comes with disaster storm insurance claims. We will also discuss the benefits of properly planning your home rebuilding project that can result in a much needed silver lining.

### **Preserving and Documenting Your Losses and Expenses**

It is essential that owners mitigate any potential additional losses to property and claims. One of the most important tasks a homeowner can do is properly and thoroughly documenting their damage and contents. Many claims are settled for far less than the owners losses due to poor documentation. Before removing the damaged contents and



home products, create a journal while the facts are fresh in your mind including time and dates. Photograph everything during the event at various intervals before, during and after the event.

Once the homeowner has had their home dried out and disinfected they will meet with their insurance adjuster. It is best to review your homeowners and flood insurance policy before you meet with your insurance adjuster. This gives you an opportunity to ask specific questions about what to expect in total replacement and coverage, while the adjuster is gathering information for the report.

At this point you should have detailed before & after photographs of the home and personal property that was damaged by the storm. In most cases much of the damaged materials will be piled on the curb. It is a good idea to separate unique pieces of personal property from the general debris. This way you can physically show the adjuster the details of the item like workmanship and the unique species that it was created from that photos cannot always capture.

## **Insurance Adjusters**

Insurance adjusters are not your friend. Insurance companies are a business who have an obligation to serve the principle interest of their shareholders. The only way they can do this is by taking in more insurance premiums then paying out claims. There is a natural conflict of interest in serving their insured.

The adjuster will often avoid discussing in detail the amount of the claim payout with the owner. Some of this is that they must complete the cost calculation amounts, but they are also trained to avoid making any promises or commitments. Although most insurance adjusters are well trained to access and collect quantitative damage, they are also trained to evaluate justifiable exclusions.

In most cases the owner will learn of their insurance benefits several weeks after the adjuster has submitted their report. The insurance has developed an estimating cost system called the Xactimate. This unit cost estimation system is used by the adjuster to prepare the claims benefit amount. It is generally accepted to be designed for 80% of general replacement cost and adjusted by regions. Don't be afraid to challenge the adjuster on how they arrived at their benefit amounts.



## **Trusted Adviser**

Due to the natural complexities associated with the insurance claim process, it is advisable to obtain a professional trusted adviser. An advocate can guide you through the insurance maze and provide advice on alternative design and construction options. By collaborating with a seasoned advocate you are more likely to receive a higher insurance benefit settlement and can expect to make fewer costly mistakes throughout the remodeling process.

An owners advocate can take many professional services forms. It can be a public adjuster, a project manager or a general contractor. Each of these professionals has its advantages and disadvantages in employing their services. A public adjuster understands the inner workings of the insurance industry and is aware of the nuances of most of the major insurance companies. Unfortunately they will not bring much value to actually design and rebuilding your home. Project management firms can be of great assistance in designing and rebuilding your home but most often do not understand the insurance claims industry. A general contractor is often your best bet if they are experienced in insurance claim renovations. The disadvantage can be that there is a vested interest that your general contractor will have in your project. Although in most cases, the general contractor will offset the expense of their fee in process efficiencies and cost savings from their advice in avoiding rebuilding and claims process mistakes.

## **Engineering Reports**

One of the most effective tools at diagnosing and getting some negotiation leverage on the insurance adjuster is the use of engineering and certified inspectors reports. In many cases involving hidden defects and the long term consequences of such things as leaks and flood waters, adjusters and contractors can miss telling symptoms. In addition engineering and certified inspectors reports can effectively be used in settling disputes about insurance claims.

Most adjusters have some construction knowledge but are not experts in home inspections and repairs. They have been trained in the insurance companies methods of assessing damage, the Xestimating system and tactics in settling & closing claims. Frequently they do not have an engineering education or expert training in a specific trade. So when confronted with an experts report will likely yield to the experts recommendations.



## **Home Renovations**

There are several ways to renovate a damaged home. A homeowner can do the work themselves if they are proficient in the construction trades or they can act as their own general contractor and hire all the required trades directly. The issues with both of these approaches are that the savings that owners are seeking to realize can easily be forfeited by making mistakes that require work to be redone. Other common mistakes FYI owners make are errors in such things as insurance administration and contract disputes that lead to greater losses than the cost of the general contractors fees.

There can be a silver linings in a insurance remodeling project if properly approached. By hiring a qualified professional design build general contractor as your advocate and improvement contractor, the owner receives a number of often overlooked benefits that they would not normally receive if they were undergoing a normal remodeling project.

If the claim loss is made under your homeowners policy the owner is usually entitled to temporary living expenses while your home is being remodeled / repaired. That is a considerable expense that would normally not be covered during a non insurance remodeling project. In addition, the homeowner policy will cover other structures such as garages, swimming pools and landscaping that most flood insurance do not cover.

In the case of national flood insurance the typical maximum payout for property and content flood insurance benefits is \$350,000. \$250,000 for property damage and \$100,000 for content damage. This money can be applied to the improvements as the owner sees fit. In addition, if the flood is declared a Federal National Disaster the homeowner is eligible for lost wages, temporary housing assistance and a variety of FEMA grants and SBA loans.

## **Tax Deductions**

The Houston area has been declared a Federal Disaster Area by the government from the damage caused by Hurricane Harvey. As a result of this declaration, homeowners are eligible to receive special tax deductions and tax credits for their losses. This legislation is designed to take some of the sting out of financial losses. These tax rules are also intended to make adjustments for loss of fair market value from property casualties.



The tax rules for disaster relief programs can be a bit more complex than one might expect. Discuss these rules with your CPA during the preparation of your tax return for the applicable tax period.

### **Loss of Economic Value**

In the state of Texas you are required to disclose if your property has been damaged by flood waters. It is also determined by the lender if your home is located in the 100 year flood plain. If you are located in the flood maps you will be required by the lender to carry flood insurance on your home.

The loss of your properties economic value could prove to be the greatest amount of your loss over time. This is especially true for properties that have never previously flooded. Properties that have experienced flooding have less appeal to buyers then homes that have never experienced flooding. Therefore there is a negative market value impact on homes that experience flooding. This can affect the ability for the properties future value appreciation and cost the owner tens of thousands of dollars over time.