

Things You Should Know When Selecting a Contractor

When a District resident's property is damaged by fire or other cause covered by insurance it may be necessary to hire a contractor to repair the damage. The relationship between the insurance company, the contractor and the property owner can be confusing for homeowners who have not had to make these repairs in the past. The purpose of this DISB Consumer Guide is to answer the most frequent questions we are asked that involve contractor repairs.

If I have an insured loss is the insurance company required to make repairs to my home?

No, the insurance company is not responsible for making the repairs, only providing the funds needed to make the repairs. The insurance company's legal obligation is to pay the insured homeowner the amount needed to restore the home to the condition it was in before the insured loss.

If repairing the damage requires a contractor, the homeowner is responsible for selecting a contractor, signing a contract with the contractor and managing the contractor to ensure the work progresses on time. The insurance company has no responsibility for providing oversight of the contractor or the work.

I've heard that insurance companies have their own contractors that will repair my home. Is that true?

Many insurance companies will provide policyholders a list of contractors with whom the insurance company is familiar. The insurance company may even suggest a contractor. The homeowner may select a contractor suggested by the insurance company but he or she is not required to do so. The homeowner can choose any contractor to make the repairs. In either case, the contract for the work will always be between the homeowner and the contractor.

In some cases, the insurance adjuster will call in contractors to secure the home and take steps to minimize further loss. Even in these cases the contractor will have the homeowner sign the authorization for the work and agree to pay the contractor.

Are there advantages to using a contractor recommended by my insurer?

The homeowner can choose any contractor to perform the work. One advantage of using a contractor from the insurance company's list is that many repairs involve unforeseen issues. There may be damage hidden behind the walls, a problem with work from a previous contractor or problems with cost of materials and labor. Any of these issues may require an adjustment to the insurance payout. If a contractor the insurance company has worked with before seeks additional funds for the repairs, the insurance company is likely to

approve the change with a minimum of delay. But if a contractor unknown to the insurance company claims it needs more money to make the repairs the insurance company may want to schedule a site visit to see the problem. At a minimum, there can be delays.

How can I tell what the insurance company will pay for?

After you file a claim, the insurance company will send an adjuster to your home to evaluate the damage. The adjuster will prepare an itemized “scope of loss” that describes in detail an estimate of the materials and labor that is needed to make the repairs. The homeowner should ensure that the contractor uses the scope of loss as the work plan for repairing the damage.

Am I liable if an employee of the contractor gets injured or causes injury to someone else?

You will want to ensure that the contractor has insurance. Check to see if the contractor has liability and workers compensation insurance. Ask for a “Certificate of Insurance” that will prove the contractor has insurance.

Points to remember:

- The contractor always works for the homeowner; that’s why the contractor has the homeowner sign the contract for work;
- Since the homeowner signs the contract with the contractor, the homeowner is also responsible for managing the contract;
- Homeowners can always select their own contractor but it’s usually better to select a contractor that has a working relationship with the insurance company;
- Check to see that the contractor you choose is licensed in the District of Columbia (visit dcra.dc.gov to check) and has liability and workers compensation insurance;
- Always make sure that the contractor has the appropriate permits (visit dcra.dc.gov to check); and remember
- The insurance company is responsible for payment to replace or repair only property that was damaged by the loss. Old damage is not covered.

Repairing your home may be very stressful. Understanding the process, the relationship between you, the contractor and the insurance company will help you to understand what is expected of you, the contractor and the insurance company. Following these steps may not eliminate the stress but should help to minimize additional pitfalls in getting the damage to your home repaired.

Are there any other pitfalls I need to be aware of?

Common pitfalls that DISB sees repeatedly are that homeowners believe that the insurance company is responsible for the contractor’s work, delays caused by the contractor or something the contractor does or fails to do. Homeowners need to be aware that the contract between the homeowner and the contractor is strictly between the homeowner and the contractor. Once the insurance company pays the claim, the insurance company has no legal responsibility for the quality of work the contractor performs, the progress of the work, delays, damage the contractor may cause or violations of any kind caused by the contractor.

About DISB

The mission of the District of Columbia Department of Insurance, Securities and Banking is two-fold: 1) protect consumers by providing equitable, thorough, efficient, and prompt regulatory supervision of the financial services companies, firms, and individuals operating in the District of Columbia; and 2) develop and improve market conditions to attract and retain financial services firms to the District of Columbia. Visit us online at disb.dc.gov.