

THE CARRIER'S DUTY TO COMMUNICATE WITH THE CONTRACTOR

Issue

Insurance carrier fails to communicate with the contractor.

Peer-Reviewed Position Statement

Insurance carriers must comply with claims handling regulations including the duty to respond to reasonable inquiries from all parties involved in an insurance claim, including out-of-network contractors.

1. COOPERATION

It is in the best interests of the policyholder, the insurer, the consultants, and the restorer to make a good faith effort to cooperate and collaborate with one another to facilitate prompt resolution of property damage claims.

2. THE NATURE OF PROPERTY INSURANCE

Property insurance is a fundamental pillar of the American economy. Property insurance is designed to ensure that structures are quickly restored to pre-loss condition, with minimal interruption to the lives and livelihoods of the occupants. It is a promise of recovery for individuals and businesses who suffer property losses. Many policyholders lack immediate funds for repairs. Effective claims handling and compliance with policy terms are vital to achieve the purpose of insurance. Policyholders, therefore, rely heavily on property insurance carriers to settle claims fairly and promptly.

However, claims cannot be settled fairly without communication. Insurers must engage openly with **all** parties involved in the claim. This includes contractors who have been hired by the insured to repair damaged property. A lack of communication causes confusion and complication in the recovery process. This lack of communication hinders the policyholder's ability to budget for repairs and cover other essential expenses. It also may prolong the policyholder's displacement from the property, causing unnecessary business interruption and/or additional living expenses.

If carriers fail to respond to contractor inquiries, they increase the policyholder's exposure to mechanic's liens and legal claims from the contractor. In most states they also increase their own exposure to legal claims from the policyholder. Communication failures can also attract regulatory scrutiny if the lack of communication is part of a pattern of unfair practices. Finally, a carrier's failure to respond to an inquiry from a contractor causes unnecessary stress and anxiety for the policyholder.

3. THE CARRIER'S DUTY TO RESPOND TO THE CONTRACTOR

Upon receipt of any inquiry, written or oral, from any party materially involved in a claim, an insurance carrier must acknowledge the communication promptly and furnish a meaningful and comprehensive response, without evasion. The response must adhere strictly to the timelines mandated in the applicable claims handling regulations, ensuring that no procedural delays disrupt the claims process. This requirement applies to communications with contractors hired by the policyholder because these contractors are materially involved in the claim. The carrier must meet these requirements to avoid amplification in the overall cost of the claim.

Policyholders have the right to hire any qualified contractor to perform repairs at their property, whether or not the contractor is "preferred" or "approved" by their insurance company. The insurance company's duty to respond applies equally to all contractors, regardless of the nature of the carrier's relationship with the contractor.

The insurance industry must address systemic issues and work towards transparent, fair, and responsive practices to uphold the promise to help individuals and businesses recover when disasters strike.

Communication in a property insurance claim is not merely a matter of individual convenience. It is a financial imperative that impacts the total cost to settle claims and therefore, the stability of insurance premiums, the affordability of insurance coverage, and by extension, the American economy.

Therefore, insurance carriers must comply with claims handling regulations including the duty to promptly respond to reasonable inquiries from all parties involved in an insurance claim, including out-of-network contractors.