

TIMELINESS OF CARRIER RESPONSES

Issue

Insurance carriers fail to timely respond to restorer inquiries.

Peer-Reviewed Position Statement

Property 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.

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 CLAIMS

Property insurance exists to ensure that damaged structures are restored quickly in order to minimize the interruption to the lives and livelihoods of the occupants. Therefore, time is of the essence in the processing of a property insurance claim.

Policyholders rely heavily on property insurance carriers to settle claims quickly and fairly. However, claims cannot be settled fairly without rapid communication from the carrier. Insurers must engage openly and candidly with **all** parties involved in the claim, including contractors engaged by policyholders. A lack of prompt communication creates uncertainty that jeopardizes the timely repair of damaged property. It causes confusion and complication in the recovery process. It hinders the policyholder's ability to budget for repairs and cover other essential expenses. Furthermore, it prolongs the policyholder's displacement from the property, causing unnecessary business interruption and/or additional living expenses.

When carriers fail to promptly respond to contractor inquiries, they increase the policyholder's exposure to mechanic's liens and legal claims from the contractor. A carrier's failure to quickly respond to an inquiry from a contractor causes unnecessary stress and anxiety for the policyholder, which increases the carrier's exposure to legal claims from the policyholder. Finally, prolonged communication delays can attract regulatory scrutiny and subject the carrier to disciplinary action by public agencies.

Any lapse in swift communication from the carrier can lead to a cascade of detrimental legal and financial consequences to the policyholder, the contractor, and therefore, the carrier.

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

Prompt 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.

Upon receiving any written or oral inquiry from any party who is materially involved in a claim, including an out-of-network contractor, the carrier must promptly acknowledge the communication and provide a meaningful and thorough response. The response must be provided before the deadlines set forth in the applicable claims handling regulations, ensuring that no procedural delays disrupt the intricate claims process.

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 promptly applies equally to all contractors, regardless of the nature of their 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.

Therefore, property 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.