

Top 10 Santa Rosa Firestorm Personal Insurance Lessons

Too many people purchase insurance as if a loss will never happen to them. The truth is that insurance should be purchased as if a loss will absolutely happen.

- 1. Not Enough Insurance** - We estimate that at least 50% of policyholders did not carry enough insurance to rebuild and recover their total firestorm loss. One solution is to qualify for and take out a loan to cover the missing funds. Another is to use the insurance proceeds to pay-off the lender, settle any remaining balance for pennies on the dollar and sell the lot. As you can imagine, there are dozens of Santa Rosa lots coming on the market every day. A well-written insurance policy with ample policy limits is "gold" at a time like this.
- 2. Misinformation and Claims Advocacy** - One client called to say he heard that PG&E (the utility company) was under investigation as a possible cause of the fire and that if PG&E is found responsible he will have no coverage under his insurance. It's crazy talk like this that creates hysteria, drives up costs and delays claims. Fear causes people to question everything in the claim process so agents who bring deep expertise, wise counsel and a willingness to go the extra mile to find solutions for claimants made a huge difference in claim results. Otherwise, lawyers step in to give "free" help with insurance claims.
- 3. Debris Removal** – Environmental laws have changed the dynamics of disposal. Debris removal coverage provides reimbursement for clean-up costs associated with damage to insured property. Policy forms vary, sometimes significantly. Typically the dwelling limit is extended by 5%-20% to pay for the extra cost of debris removal. However, some policies extend the contents and additional structures limits for debris removal as well. The big consumer question in the event of catastrophic loss is whether to use public (FEMA) or private debris removal services. Seems like the preferred approach is to sign up for the public (FEMA) option as soon as possible after the loss which allows the homeowner the right to shift to a private alternative should that make more sense at some point time.
- 4. Loss of Use (Additional Living Expense)** – Some policies include coverage up to 12 months from date of loss. In a major disaster, carriers are quickly extending this to 24 months and perhaps beyond if needed. So claimants will want to confirm the extension. Loss of Use coverage is best written to cover the actual loss sustained for at least 24 months.
- 5. Extended Replacement Cost** – This coverage—which will pay up to a specified percentage (125%, 150%, 200%, etc.) of an insured's policy limit to fully replace a damaged home—is another gold nugget after a catastrophic loss. Example, a 1,611 square foot house was insured for \$489,500 (\$304 psf). The post-loss estimate to replace the house is \$600,951 (\$373 psf). That's a 23% increase. The good news is that this policy has a 125% extended replacement cost endorsement increasing the available limit to \$611,875. Whew!

6. **Landscaping** – The rumor mill is telling people that their landscaping is not covered by their home insurance. FACT: A typical homeowners policy will cover damage to trees, shrubs and plants up to 5% of the policy's dwelling limit generally with a maximum amount available per tree, shrub or plant of \$500. Nothing shuts down the rumor mill faster than good information and a knowledgeable insurance agent.
7. **Secondary Loans** - It's tough enough having one lender to work with during reconstruction, but having two requiring sign-offs can be problematic – it's helpful to advise clients to check in with their lender on how the bank's claim process works before a loss occurs.
8. **Contents Coverage** – On December 21, 2017, the CA Department of Insurance issued a notice to all Property/Casualty Insurance Companies regarding Personal Property Coverage for Wildfire Claims. Insurance Commissioner Dave Jones, called on all carriers to provide up to 100% of the Contents coverage limits without requiring the insureds to undertake the onerous task of completing a detailed inventory. The DOI received numerous complaints from insureds about the monumental task of attempting to identify every item of personal property they may have amassed, over years or decades, in order to collect replacement cost.

Many insurance carriers have agreed to pay out at least 50% of the contents limit without an inventory. Where the contents limit insured is low (50% or less of the dwelling limit) some carriers have agreed to provide the full limit without an inventory. Still others are handling this on a case-by-case basis.

9. **Secondary Dwellings** – It's critical to disclose the structures you expect to be insured under your homeowners policy. The default limit for "other structures" is 10% of the dwelling limit. This limit is designed to insure unattached structures on your property such as a carport, toolshed, fence, etc. Secondary dwelling are not automatically included for coverage under the dwelling limit and the default other structures limit is too often inadequate to cover the full replacement cost of a separate granny unit. However, you can change the other structures limit so it covers the full replacement cost of the structures you intend to insure.
10. **Delays** – Delay is the name of the game with a catastrophic loss. Have you found an acceptable temporary place to stay? Has your site been cleared? Were there environmental issues? Are architectural plans ready for the rebuild? Are the building permits in place? Have you secured a qualified contractor? Is your lender onboard to help expedite the process?

The goal in overcoming so many of the obstacles large losses claimants face is to get in line early. Ample insurance limits and broad coverage provisions open the door to recovery.