

[Burned again - Fourmile fire victims report problems getting insurance money](http://www.boulderweekly.com/article-4067-this-story-sounds-completely-made-upnb...)

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Some residents who lost their homes in the Fourmile Canyon fire are telling horror stories about trying to get their insurance companies to reimburse them for the full cost of their belongings and rebuilding their homes.

One homeowner, who asked not to be identified for fear of retaliation, says his insurance company, State Farm, is taking its sweet time reviewing his detailed list of the contents of his home, and he's already had to fight to keep them from depreciating things that he had just recently purchased. They won't tell him what process is used to determine how the value of his older possessions is assessed. He asked for the tables they use to calculate the depreciation of belongings, and they declined to produce them, saying they're "proprietary."

"You're trying to argue with someone who has a rule book that you can't see," he says.

He adds that while he wasn't permitted to negotiate the price of his monthly premium, when it comes to insurance companies coughing up money, there is a lot of leeway, and he fully expects State Farm to lowball him when he finally does get an estimate of what they are willing to pay to rebuild his house.

"I'm expecting them to come in low, but I'm not sure how low, because it's all been nebulous hand-waving so far," he says. "They need to be exposed. And you hate to

put yourself in the spotlight, because they have a lot of lawyers and they could run this out for years.”

“It’s a nightmare,”

says another homeowner who didn’t want to be identified. “Some insurance companies depreciate things 80 percent, across the board.”

He says he knows of

one woman whose china was depreciated 99 percent. Insurance companies typically pay homeowners for the depreciated value upfront, then later reimburse the balance for any new belongings purchased as replacements.)

Nana Will, who lost

her Rim Road home to the Fourmile fire, says the solar panels on her house were depreciated by her insurance company, Safeco, by more than 66 percent, even though she just purchased them in January.

Fire victims say it is

common for insurance companies to lowball disaster victims because, after all, it is a business, and they want to keep expenses at a minimum. Another problem, they say, is that insurance is often based on the assessed value of the home, and that amount can be too low. Some are hoping state legislators enact new laws in the upcoming session to help ensure that insurance companies pay the full policy limit, not a lesser amount, especially in the case of a disaster.

Under-insurance

Even so, that policy limit can be too low if it hasn’t been updated recently.

Many Fourmile victims

were unaware they were “under-insured,” either because they haven’t updated their policy in decades or were sold less insurance than they actually needed.

Lewis Perkins, who

lost his home in the Fourmile fire, is one of those who was badly under-insured, and he blames his insurance company, Nationwide. Perkins, an iron worker who was laid off from his job at the Comanche Power Plant in Pueblo a year and a half ago, only received \$91,000 for the value of his home, even though the assessed value was \$210,000. He only

got \$68,000 for his tools and other belongings, which were valued at \$246,000. The cause? His policy had not been updated in many years. He says he's frustrated by being left out in the cold after paying insurance to Nationwide for 26 years. "Am I supposed to be a professional insurance adjuster to figure this out?" Perkins asks. "I thought if you bought insurance, it would take care of things. They should be responsible. These insurance companies are getting away with murder."

Being under-insured

because you haven't looked at your policy in decades is one thing. But Will, the Rim Road homeowner whose solar panels were depreciated, says she called her insurance company when the solar panels were installed in January and was told her coverage was appropriate as long as the system didn't exceed \$50,000, which it didn't.

Turns out, that

coverage wasn't appropriate. The company has written her a check for \$177,679, but the lowest estimate she has found for the reconstruction is about \$450,000. She claims Safeco performed an improper valuation on the home due to the solar panels issue and other mistakes. For example, one appraisal estimated the depreciated value of her property at \$66,412. She repeatedly requested copies of the appraisal, she says, and after receiving several illegible versions, finally got one she could read more than a month later.

"I'm not going to tolerate it," Will says. "It's just not right."

United Policyholders

Being under-insured is

a common condition, one that Karen Reimus of United Policyholders (UP) says is suffered by about 70 percent of the victims in any natural disaster. Reimus, who lost her own home in an October 2003 fire in San Diego, serves as disaster recovery aid outreach and education coordinator for UP, which is an advocacy group dedicated to helping disaster victims get the amounts they deserve from their insurance companies.

Reimus calls

under-insurance the number one problem facing those who lose their homes in a natural disaster, and she recommends that people examine their policies closely. She recommends dividing the policy limit for your house (often called “coverage A”) by the square footage, and comparing that to the cost per-square-foot needed to rebuild in your area. If that coverage A amount is too low, then the amount set for replacing personal property inside the home is probably too low as well, she says. Others recommend that people make an inventory of their personal property or take pictures of their belongings, and keep that record outside of the home, in case disaster strikes, so that they have the documentation that the insurance companies will request.

This is especially

important, they say, given that attempting to mentally go through your belongings after they are lost can be re-traumatizing.

“You have to go back

visually and walk through your home, and you’re revisiting the lost thing, item by item,” says Bret Gibson, Fourmile fire chief. “You have to back through your jewelry box and you remember your grandfather’s pocket watch.”

To you, he explains,

that watch is priceless, but then you have to look up its value online and find out that it’s only worth \$80, “all while living elsewhere, while going to work and having endless friends and family asking how you’re doing.”

The bottom line

Reimus says insurance

companies actually underinsure homes intentionally. It’s counter-intuitive, according to Reimus, because one would assume that the companies would want to sell you as much insurance as they can, to collect higher premiums. But actually, she explains, they want to minimize their exposure to loss and protect their market share by keeping premiums competitive.

Reimus says she was a victim of intentional underinsurance as well. The home she lost in the 2003 California fire had just been purchased four months earlier, and she specifically asked at the time about the insurance for her house. “I made the mistake of thinking replacement meant replacement,” she says. “Most people don’t have any reason to suspect that those numbers are too low. It’s a very silent problem.”

The second-most common problem with insurance companies, according to Reimus, is that they will lowball homeowners with their initial estimate of what is owed. Coming in a close third is over-depreciation, she says.

“These problems are heinous,” Reimus tells Boulder Weekly. “It’s all about being twice burned — once by the fire, and once by the insurance company. People paid good money for this. They thought they were covered, and then they find out they’re not.”

Many homeowners will be in for another rude awakening when insurance coverage runs out on the cost of their current living arrangements, she adds. Some companies only cover the expense of renting another home for a year. Given the delays often associated with claims processing, and the time needed to rebuild, a year is not enough time.

“It’s particularly bad in your community, because you can’t always build in winter,” Reimus says. “It’s like an added insult to injury.”

She declines to single out a particular insurance company that has the worst track record, but adds that the big three — State Farm, Farmers and Allstate — tend to receive the most complaints simply because they have the biggest market share.

‘Number one issue’

“Probably

the number one issue people are facing right now is insurance,” says Garry Sanfaçon, the county’s Fourmile fire recovery manager, who has brought Reimus in to deliver a series of monthly workshops with local fire victims. He says that in addition to lowballing and over-depreciation, he has heard complaints about unreturned calls, difficulty receiving a full copy of policies, and insurance companies’ demands for highly detailed lists of the contents of the home.

In

the case of under-insurance, Sanfaçon says he heard of one case in which a homeowner spent 10 hours with an architect going over rebuilding plans and realized the insurance company had omitted significant expenses from its settlement, like the cost of doors.

Anecdotally,

he says, he has heard positive things about Travelers and Farmers, while the most complaints have been about State Farm, which insures a large percentage of the homes burned in the Fourmile fire.

Alan

Miller, assistant public affairs manager at the State Farm office in Greeley, says his company received 218 claims from the Fourmile fire — 42 structures with heavy damage or total loss, and the rest based on smoke damage.

Asked

whether State Farm intentionally under-insures customers to reduce exposure or maintain competitive premiums, he said, “Absolutely not.”

He does acknowledge, however, that under-insurance is common when homeowners haven’t updated their policies in a long time.

“Ultimately,

the decision of how much coverage is taken is up to the homeowner,”

Miller says. “We encourage them to insure to 100 percent of the replacement cost value. ... We want people to be able to rebuild the home they have, and if they are insured to the full value, that should be the case.”

He said he didn't know the specifics about how State Farm calculates the depreciation of property.

Bob

Blume, team manager for a State Farm claims department that has been handling Fourmile fire victims, says the company's strategy is not to minimize the amount it pays out, and there is never internal pressure to reduce settlements.

"In

fact, it's just the opposite," he explains. "It's our job to look for every penny that can be found to reimburse the policyholder. That's what insurance is for, to indemnify people against a loss. It's just the right thing to do."

Blume

acknowledges that there is some back-and-forth about personal belongings in the home, because State Farm is relying on homeowners "when it comes to how many pairs of jeans were in the closet." Negotiation and communication are key in determining the worth of say, a 10-year-old television that has seen constant use compared to one that has been stored in a box during that time, he says. When asked to provide the depreciation guides the company uses, Blume says that he "would have to check. I've never had anybody ask for a photocopy of it."

He

acknowledges that there can be delays, especially when big-ticket items need to be sent up the ladder for approval. But he insists that his business is all about helping people, not about a corporation's bottom line.

"Our number

one job is to pay policyholders what is owed them and put them back in the place they were before the fire," Blume says. "It's never about trying to get out of paying anything."