

California reforms should ease fire victims' insurance claims

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The hundreds of people whose homes were lost or damaged in devastating wildfires now ravaging California should have an easier time dealing with insurers, thanks to the Oakland hills fire of 24 years ago. Survivors of that fire and subsequent ones in Los Angeles and San Diego mobilized to get California lawmakers to clamp down on insurance loopholes.

"It's easier to get money from insurance companies now than it was then, and fewer people are underinsured because of all the disclosures insurers now have to make when they sell you a policy," said Amy Bach, executive director of United Policyholders, a nonprofit focused on disaster recovery for insurance consumers. San Francisco's UP coalesced in the aftermath of the Oakland firestorm, which wiped out 2,843 homes in October 1991, to help people navigate the Byzantine claims process, solve disputes and collect their benefits.

Insurers now are required to be more flexible about how victims can prove their losses. They must cover up to two years of temporary rent and pay replacement value instead of depreciated value of household goods, Bach said. Homeowners have 12 months to rebuild after they receive a check from their insurer, or 24 months if the loss was related to a state of emergency. Insurers must assign a single adjuster for each case.

Insurance carriers mobilized after this week's Valley Fire, bringing in claims representatives in tents and trailers at an ad hoc "insurance village" behind the Red Cross Center at the Napa County Fairgrounds in Calistoga, next to a field where evacuated farm animals peacefully grazed under a steady rain Wednesday. Many companies have disaster-response teams that travel from one catastrophe to another, and are equipped to handle a big volume of customers with streamlined processes, said Janet Ruiz, a spokeswoman for the trade group Insurance Information Institute. UP and state Department of Insurance reps are also on site to act as consumer advocates.

"We have tents, tables and laptops connected to our system so we can support our customers right here in person," said Sevag Sarkissian, a spokesman for State Farm Insurance, which so far has received 250

claims related to the Valley Fire, which continues to blaze across Lake, Sonoma and Napa counties. “We have vendors to help find housing. We have a steady stream of customers coming in.”

Some 7,650 structures are threatened by the 70,000-acre Valley Fire, according to the California Department of Forestry and Fire Protection, or Cal Fire. So far, 585 homes are confirmed as lost, but, Cal Fire said, “Hundreds of other structures are known to be destroyed as well.”

Experts recommend fire victims contact their insurance carriers as soon as they can. Many homeowners’ policies include money for temporary living expenses. “The first thing is giving checks for living expenses, anything from hotel rooms to groceries to extra gas,” Ruiz said.

Roberta and Art Adams were pleasantly surprised to find that their State Farm policy will pay their expenses while they wait to find out the status of their home, just a quarter mile from the Valley Fire’s suspected origin in Cobb, Roberta Adams said. “They actually called us and were extremely helpful,” she said. She was also pleased that her insurance would cover damage from smoke and water. “It is reassuring to feel like they are wanting to help you,” she said.

But the bigger picture is negotiating claims for full replacement value. People who lost their homes can expect dealing with insurers to turn into a full-time job, according to those who’ve been there.

“It won’t be resolved overnight,” said Sue Piper, whose Hiller Highlands home was one of the first incinerated in the 1991 firestorm. “They need to be prepared that it can take two years or more. None of it’s easy, but people who pay attention to detail will have an easier time. The minutiae of getting your life back together is overwhelming.”

Consumers can hire a public adjuster “to go toe-to-toe with the insurance company on your behalf,” Bach said, but that comes at a steep price: 7 percent to 11 percent of the total claim. “It’s not for everyone, but it’s something to consider, especially if you are a single parent, work full time or are elderly, ill or disabled — anything that would make it hard for you to put a lot of time into documenting every single thing that was destroyed,” she said.

The median home value in Lake County is a modest \$189,700 — less than half the state median of \$442,800, according to Zillow.com, while the area’s median rental price is \$1,225.

One lesson learned after the Oakland fire is that banding together makes a big difference, said David Kessler, who was president of the North Hills Phoenix Association, an activist group formed by fire survivors. UP helped people join forces with others who had the same insurance company, for instance. “Trading information was extremely helpful,” he said in an e-mail. “People who are isolated are far more easily victimized.”

As fire danger continues to loom, rural residents worry that insurers may drop them, refusing to renew policies when their term is up. And, in fact, the companies can do so. A state law prohibits insurers from

canceling a policy while a home is being rebuilt, and requires them to renew at least one time after a total loss.

But in a free market, they can cherry-pick where to insure, although the Department of Insurance requires companies to follow their stated internal guidelines and to give 45 days' notice before a policy's expiration. The state-run California FAIR Plan offers last-resort coverage to people with high-risk properties who can't find private insurance.

While many Californians eschew the expense of earthquake and flood insurance, everyone who has a mortgage must carry fire insurance.

That still leaves out some who own their properties outright.

Chad and Melissa Calvert were about to move into their dream home, an off-the-grid, solar-powered paradise in Lower Lake that they'd spent more than two years building. But the Rocky Fire destroyed their property in late July. They'd poured their life savings into the home, wanting to own it free and clear.

"We were trying to be free of the wringer of the bank mortgage system," Chad Calvert said. "But there are benefits that come with that ball and chain, such as the requirement to get insurance. It was a terrible miscalculation on our part. We were naive to the fact that right when you get permitted to build you should get insurance."

To make matters worse, the couple and their two children then moved to Cobb into a friend's home, which was incinerated in the Valley Fire, destroying all their possessions. They didn't have renters' insurance either.