

[California wildfire survivor offers insurance help to Fourmile Fire victims](http://www.dailycamera.com/boulder-county-news/ci_17044444)

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Karen Reimus bought her Southern California home just four months before the flames from the massive Cedar Fire consumed it in 2003.

Reimus and her husband, both lawyers, had been careful to choose a good insurance policy, one they believed would cover the full cost of replacing their home. So the couple was surprised to find themselves underinsured when their new home was reduced to ashes.

“We had a brand-new policy, and we just purchased our house,” she said. “We thought, ‘We’re in great shape. We paid a lot of money on our premium.’ To find ourselves underinsured — we were shocked.”

The experience of dealing with her insurance company was so overwhelming that, once she’d come out the other side, Reimus felt compelled to share what she’d learned with other disaster victims.

“When I finally got back to my rebuilt home in 2005, I said, ‘I’ve got to try and find a way to pay forward all the help we received,’” she said.

Reimus now works with United Policyholders, a nonprofit that tries to “empower the insured” by educating the public and advocating for consumer rights. On Monday, Reimus will travel to Boulder for a second time to meet with victims of the Fourmile Fire. She already has plans for a third visit in February, and she suspects that won’t be the last time she comes to town.

“In terms of dealing with a catastrophic total loss claim, usually the insurance-recovery process can take one to three years,” she said. “It’s an incredibly lengthy process, and exhausting.”

A chronic problem

One of the most pervasive issues faced by people who lose their homes to a wildfire, or any disaster, is underinsurance, Reimus said. That’s true for many of the victims of the Fourmile Fire — which destroyed 169 homes west of Boulder in September — said Garry Sanfacon, who is heading up Boulder County’s Fourmile Fire Recovery Center.

The fact that only a handful of building permits have been applied for by fire victims hoping to rebuild is probably due, at least in part, to the fact that victims are still wrestling with their insurance companies

over how much they're owed, according to Sanfacon.

"There seems to be some good insurance companies — and some really, really bad ones," he said.

In 2009, United Policyholders surveyed people who had survived the 2007 wildfires in Southern California, which burned half a million acres and destroyed more than 1,500 homes. About 70 percent of survey respondents reported being underinsured.

For Reimus, the survey showed that underinsurance isn't a problem relegated to people who intentionally took a gamble on an inadequate policy to save money or to people who improved their homes but forgot to tell their agents. Instead, Reimus said the numbers illustrate a chronic problem with the way insurance is sold.

"Seventy percent of people are not cheap. Seventy percent of people are not trying to underinsure their largest asset," she said. "Seventy percent of people are calling their insurance companies because they want to cover their house. I think what the insurance companies are doing is extremely disingenuous. It's more than disingenuous; it's an outrage."

Subjective measures

Carole Walker, executive director of the Rocky Mountain Insurance Information Association, disagrees with the idea that insurance companies are intentionally leaving their clients underinsured.

"It's the job of insurance companies and agents to sell insurance. Certainly, they are going to want to make sure you have as much insurance as you need," Walker said. "Agents intentionally getting people to buy the least amount of insurance — that's just counterintuitive."

But Walker doesn't let insurance companies — which her association represents — completely off the hook. Instead, she argues that both sides bear some responsibility. And while Walker acknowledges that underinsurance is a problem, she also points out that it's difficult to accurately measure, or even define, what it means to be underinsured.

"I would really question United Policyholder's) number. Seventy percent underinsured is really a subjective number," she said. "Sometimes somebody is feeling underinsured — maybe a contractor or a restoration company is telling them they're underinsured — but that doesn't actually equate to being underinsured."

When 'replacement' doesn't mean 'replacement'

Walker and Reimus do agree on some substantial points. They both vigorously encourage people who have not lost their homes to check out their own insurance policies — the sooner the better — to make sure that they have adequate coverage.

And Walker and Reimus also both agree that home insurance today is different than it was 20 years ago. Today, for example, "replacement insurance" doesn't necessarily mean that you'll get whatever money

you need to replace your house. That's because replacement insurance today typically has limits. "People need to understand that we are in a different era for insurance," Walker said. "To protect yourself, you need to realize what your limits are."

Walker and Reimus both point to the 1991 Oakland hills firestorm — which destroyed more than 3,000 homes in California — as a turning point in the insurance industry. Up to that point, insurance companies sold what was called a "guaranteed replacement policy," which would actually pay whatever it cost to replace the home that was lost.

"That was a wakeup call for the industry; we didn't think disasters could cost that much," Walker said. "There were some companies that faced bankruptcy."

So many insurance companies replaced "guaranteed replacement policies" with "extended replacement policies," which actually cap the amount you can be paid to replace your home. The "extended" part kicks in if your cap isn't enough, by offering a one-time bump, often up to around 25 percent of the policy limits.

"A lot of companies started quietly moving to what they called 'extended replacement,'" Reimus said. "These companies didn't want to be exposed to catastrophic loss."

The underinsurance problem, then, is often related to the cap on the insurance policy, which may not, realistically, be enough to cover rebuilding.

Filing a complaint

Fourmile Fire victims who find themselves underinsured — and who believe they're underinsured through no fault of their own — or who have other concerns about how their insurance company is handling their claims do have some recourse in Colorado. They can file a complaint with the Colorado Division of Insurance.

The Division of Insurance has so far only received three formal complaints, though they've fielded around 60 calls from people with questions related to the Fourmile Fire. When the division receives a claim, the staff investigates to make sure that the insurance company is doing everything it is supposed to do. In the case of homeowner's insurance, that largely means looking at whether the company has honored its contract.

"The contract is what it is," said Bobbie Baca, a supervisor in the Division of Insurance. "We usually ask for a copy of the contract and make sure that there aren't any additional coverages that the company is not paying for."

Of the three formal complaints, two have been settled: one in favor of the consumer and one in favor of the company, she said.

Baca also stressed the importance of all homeowners reviewing their policies before a disaster strikes —

whether they live near a forest or not.

“No matter where you live, you could have a grease fire,” she said. “You could live in the city and have a grease fire and you want to make sure that your house is insured to value.”

Editor’s Note

The Camera continues an occasional series on survivors of the Fourmile Fire as they try to rebuild their lives.

Underinsurance by the numbers

In October 2007, Southern California was devastated, again, by a series of wildfires, which collectively scorched half a million acres and destroyed more than 1,500 homes. In 2009, United Policyholders — a nonprofit dedicated to advocating for consumer rights in relation to insurance issues — asked victims of the 2007 wildfires to complete a survey. Here’s a look at the survey results:

174 people answered the survey questions

66 percent said they were underinsured

\$319,500 was the average amount by which those people were underinsured

78 percent planned to rebuild on the same parcel

25 percent of the people required to complete a home inventory in order to get reimbursed for the contents of their homes were still not finished with the inventory two years after the fire

If you go

What: Karen Reimus of United Policyholders and a couple of Colorado-based policyholder lawyers will give a presentation to victims of the Fourmile Fire on how to communicate effectively with insurance companies about their claims. The presentation will also include an overview of Colorado-specific claims handling rules.

When: 6:30 p.m. Monday

Where: Third floor of the county courthouse, 1325 Pearl St. in Boulder. Enter the building from the Spruce Street side.

For more information: bouldercounty.org/fourmilefire