

## **Fire, flood, mud: insurance benefits can vary greatly**

Methow Valley News

An estimated 45 percent of people who lost homes or property in the wildfires had no insurance, including almost all the renters. But the rest — in the midst of cleaning up debris, figuring out where they will live, buying new clothes, and coping with grief — have been dealing with insurance adjusters. Despite the difficulty and tedium of providing an itemized list of everything they lost, most people have had a good experience with insurance, according to local agents.

“None of our clients have had problems with their insurance claims,” said Judy McAuliffe, an agent with Libke Insurance Associates in Twisp. Several people who lost their homes reported that the insurance company issued a check right away and is paying rent for their interim housing.

Agents have been busy dispelling rumors. “People heard that wildfire was not covered because it’s a natural disaster, but fire is fire — the source doesn’t matter,” said McAuliffe.

Still, some people have been surprised that certain losses were not covered. Business owners, in particular, have been dismayed that claims for loss of business income during the power outage were denied. Although the power outage was caused by the fire, it was not covered because there was no direct physical loss to the business premises or contents, said McAuliffe.

Some restaurants were reimbursed for food that spoiled, but very few were compensated for loss of income, said Melinda Bourn, owner of Melbourn Insurance Agency in Winthrop. “Each business policy is so individual, you can’t generalize,” said Libke agent Debbie Francis.

Staff at the Washington Office of the Insurance Commissioner have received eight complaints related to the wildfires, involving claim denials, delays and disputed payment amounts, according to Kara Klotz, the office’s public affairs and social media manager. This is typical after a natural disaster, she said.

If people are not satisfied with the insurance company’s decision, they have the right to appeal or hire their own appraiser, said Bourn.

“We know how to help people get from point A to H, and how not to simply take ‘no’ from their insurance company,” said Amy Bach, executive director of United Policyholders, a

nonprofit organization based in San Francisco that advises consumers about insurance matters and the claims process. “Washington has good consumer-protection laws, but people need to know what to ask,” she said.

United Policyholders also leads educational workshops after a wildfire and is trying to arrange one here.

**Flood insurance**  
Floods — along with earthquakes and landslides — are not covered by a regular homeowner’s policy. Flood insurance is offered by the National Flood Insurance Program (NFIP) and can be purchased through local insurance agents.

Most people in this area do not carry flood insurance, but people who suffered damage in the August mudslides have argued that the slides were caused by the fire and should be covered by a homeowner’s policy. Most of these claims have been denied, but a few insurance companies are still investigating whether properties with both fire and mud damage may be covered, said McAuliffe.

While there are fine distinctions between mudflows and mudslides, it appears that anyone who had flood insurance was covered for damage caused by the slurry of mud and rocks, whatever it’s called.

The standard NFIP policy defines a mudflow as “a river of liquid and flowing mud on the surface of normally dry land areas, as when earth is carried by a current of water.” It distinguishes this from “other earth movements,” including “a saturated soil mass moving by liquidity down a slope.” Mudflows are covered by flood insurance; mudslides are not.

A Federal Emergency Management Agency (FEMA) representative offered more everyday comparisons, describing a mudflow as “the consistency of a milkshake,” while a mudslide “is denser, more like the consistency of a cake,” said McAuliffe.

Insurance agents recommend flood insurance, particularly for anyone whose property may be in the path of a future slide. A separate flood policy is required for every structure, so if you want to cover a number of outbuildings, you have to purchase individual policies.

There is generally a 30-day waiting period on a new flood insurance policy, but the FEMA representative said flood claims would be handled on an individual basis, possibly waiving the waiting period, because of the connection with the fire, said Bourn.

Another option is a “difference in conditions” policy, which specifically covers floods, earthquakes and landslides. “This is the best thing we have to offer for people in that situation — at least they’ll have something in the spring,” said Francis.

For people who barely saved their house from the fire, the mudslide was both physically and psychologically devastating, since insurance would have covered a loss from the fire, but not the flood. From an insurance standpoint, “they would have been better off if it burned,” said McAuliffe.

“I don’t understand why this argument hasn’t been advanced where there’s a burn scar—but for the wildfire, there wouldn’t have been this [mudslide] event,” so it should be covered by an ordinary homeowner’s policy, said Bach.

#### Types of coverage

Homeowner’s insurance can provide either replacement value or actual cash value. Without replacement-value insurance, you would receive only the depreciated value of an appliance or furniture, whereas with replacement value, you would also be paid the difference in price after you buy a comparable new item.

Most policies also provide for a year of additional living expenses, including rent and meals in a restaurant if you no longer have kitchen facilities, with a maximum benefit of 20 percent of the value of your house. Even though your house may no longer be standing, you are still responsible for paying the mortgage and other regular expenses.

Coverage for a dwelling often includes “extended replacement cost,” which adds 25 or 50 percent to the insured value to allow for increased costs of materials and labor. For example, if your house is insured for \$100,000 and you have 25 percent extended replacement cost, you will receive a maximum of \$125,000 towards rebuilding regardless of what it actually costs to build). People who elect not to rebuild will get the market value of their house, said Bourn.

#### Rate increases and cancellations

Insurance companies placed a moratorium on issuing new policies when the fire was at its height, stalling real estate transactions, but the companies resumed writing policies within three or four weeks, said McAuliffe. Some homeowners tried to increase their coverage during the moratorium but couldn’t. Now that the insurance companies Bourn works with are writing policies again, there have been no premium increases or cancellations because of the fire, and no one has been denied coverage because of where they live, she said. But Bourn said she had heard that some companies are declining to cover certain types of structures, such as log houses, or are no longer insuring homes in high-risk areas. Much of the Methow Valley is categorized in the highest-risk fire-protection classes. These ratings are based on the distance from a fire station and the fact that we have a volunteer fire department. People who live in remote areas or who use wood as their only heat source — even if they live in town — may only be eligible for a high-risk policy, which is expensive and offers less coverage, said McAuliffe. Insurance companies have to apply to the insurance commissioner to raise rates and must document why an increase is necessary, but they are not required to notify the commissioner if they suspend selling new policies after a natural disaster, said Klotz. It is still possible that some will increase their rates or stop offering coverage in high-risk areas, said Francis.



It is not uncommon for insurance companies to stop renewing policies after a wildfire, said Bach, who said United Policyholders has been lobbying for more protections.

Many insurance companies send out an inspector after they issue a policy or before a renewal to be sure that everything meets their standards. They may ask a homeowner to add a railing to a deck, and others may require more green space or ask a homeowner to cut trees to create defensible space, said McAuliffe. The company must give the homeowner 45 days' notice and the opportunity to correct the problem but, if it is not fixed, the company will cancel the policy, she said.

"It's all going to shake out but, until the policy renews, we won't know what's going to happen," said Francis.

#### Insurance information

For general insurance information and state laws, call the Insurance Commissioner at 800) 562-6900, or visit [www.insurance.wa.gov](http://www.insurance.wa.gov).

Consumer information—in particular, for people who have suffered losses—is available from United Policyholders at 415) 393-9990, or [www.uphelp.org](http://www.uphelp.org).

For more information about the National Flood Insurance Program, call 888) 379-9531, or visit [www.floodsmart.gov](http://www.floodsmart.gov).

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