High Park Fire Insurance Payouts a Slap in the Face

Wildfire victims say insufficient policies and unrealistic deadlines are impeding rebuilding efforts.Homeowner insurance protection: What would it do?• Expand the time allowed to submit an inventory of destroyed property to an insurer.• Require insurers to award claims for a percentage of destroyed property without submissoin of an inventory.• Require insurers to offer products at an additional price to expand living expenses for displaced claimants and allotments to rebuild in costly areas.• Encourage insurers to consult builders on the actual cost to rebuild homes when issuing policies.• Expand the window wherein policyholders can file lawsuits against their insurers.• Require plain, clear language in homowners insurance policies.What's next?• April 2 hearing in the Senate Local Government Committee. Citizen comments will be accepted.• If the committee passes the bill, it faces debate and a formal vote in the Senate. It has passed in the House.After the High Park Fire destroyed their homes, their lives were in freefall. Only then did they learn that the safety net of homeowners insurance that they expected to cushion their landing was riddled with holes.Homeowners insurance claims from the blaze that destroyed 259 homes west of Fort Collins last summer are progressing with troubling results. Many whose homes were destroyed say their insurance policies are insufficient to finance rebuilding their houses.Insurers demand inventories of property lost inside the homes, then devalue the possessions by more than half in some cases, fire victims have complained. And they say the one-year deadlines that some insurers impose on rebuilding and living expenses for displaced policyholders are unrealistically short."After the High Park Fire, we could not return to our property for almost a month from the time we were evacuated," said Dale Snyder, who, along with his wife, Marilyn, lost their Rist Canyon home and all of its contents to the fire June 11. "Then for the next month, your head is spinning. You're not thinking clearly, not to mention dealing with finding a place to live, replacing clothing and comprehending insurance requirements. So there you are, almost 10 months into the first year."Failing to meet an insurer's deadline to rebuild can have expensive consequences. Claims at that point are subject to downward adjustment, and fire victims who miss the deadline could find themselves borrowing money to rebuild their homes."In the mountains, in winter, on frozen ground, it's impossible," said Janet Koch, referring to the one-year finish line. She testified before a panel of lawmakers recently that the insurance coverage on her home destroyed by the High Park Fire less than one year after it was built fell short of the cost to rebuild it by $100,000 — more debt than she's able to take on.Koch, who suffered from a stress-related disorder before the fire, said she is plagued by headaches, nausea and other physical symptoms that her doctor attributes to the anxiety associated with listing an inventory of her property lost in the fire, something insurance companies require of claimants in Colorado.Trish Garner, whose family's home was destroyed in the High Park Fire, completed the necessary inventory of contents with disappointing results."The declaration page that our insurance agent had sent us was basically a lie," Garner said.The insurance company depreciated the value of the insured property destroyed in the home by 55 percent, according to Garner."It's not right," she told the legislative committee. "What we contracted for with the insurance company is not what we got. It's a slap in the face and a very hard lesson to go through when you're looking at the total loss of everything you have."Koch is incredulous that her insurer would not pay the full value of the property listed in her policy without documentation, considering that she insured it so soon before the fire and that it was evident everything she owned was destroyed along with her home."For me to make the list in the first place, I don't understand," Koch said. "I'm insured for 'x' amount of dollars. They (the insurance company) set the price one year — less than a year — before my home burned down. Plus I'm over $100,000 underinsured. How do they determine these things?"Insurance agents strive to assemble all the relevant information into policies that meet customers' needs, said Julie Mowry. She represents State Farm Insurance and addressed the legislative panel on behalf of the insurance industry as a whole. Setting the bar of coverage at the appropriate level is an imprecise science."It's still, at the end of the day, unfortunately, just our best guess," Mowry said.Those guesses have consistently missed their mark, particularly in rugged, mountainous areas where Coloradans are increasingly choosing to live and where wildfires have flourished for the past three years. Many who have been through the fires say insurance companies have not taken into account the added expense of construction in hard-to-reach areas, such as the High Park burn zone and the area ravaged by the Fourmile Canyon Fire in Boulder County in 2010.The insurance lobby strangled a measure in the Colorado Legislature last year to address the inadequacy of homeowners insurance in the wildland-urban interface. But with more than 600 homes destroyed in the High Park Fire and the Waldo Canyon Fire in Colorado Springs alone since that proposal's defeat, lawmakers have revived the concept.State Sen. John Kefalas, D-Fort Collins, and Rep. Claire Levy, D-Boulder, are among the sponsors of a bill to improve protections for homeowners' policyholders."Insurance companies cannot sell something that will be patently inadequate when the need arises to make a claim," Levy said.In its present form, the bill would assure that insurance companies pay claims worth at least 30 percent of destroyed home contents even in the absence of an inventory. It would extend the deadline for submitting an inventory to 270 days from 180 days.It would require insurers to offer policy enhancements at an additional cost to the customers that choose them to supplement the value of a homeowner's policy by up to 20 percent and provide for 24 months of living expenses while displaced from home.The proposal began with a requirement that 24 months of living expenses would be standard in all homeowners' policies in Colorado. The language was softened at the urging of the insurance industry. Campaign finance records show Levy and Kefalas accepted contributions last year from insurance industry groups that helped rewrite the bill as well as from fire victims.Protections for second homes, manufactured homes and mobile homes were stripped out of the bill.Concessions to the insurance industry appeased some early opponents of the bill — mostly Republicans — who worried that the requirements would prove burdensome to insurance businesses, but a handful of lawmakers could not be won over in the end. They worried that insurance premiums for policyholders statewide would increase.Levy countered that it's impossible to tell whether the bill would affect premiums, but that Coloradans can expect to pay more in the future regardless of its passage."Rates are going up in Colorado, and they're going up because of hail storms, wind damage, wildfire. They're going to go up," Levy said.The House passed the bill 58-6. Next it heads to the Senate, where Kefalas will tote the torch. It is scheduled for a committee hearing April 2.Kefalas said he plans to visit with High Park Fire victims and representatives of the insurance industry before deciding whether he will push to restore more rigid protections to the bill.High Park Fire victim Snyder is not happy about the changes. He said he will push for two years of living expenses as a standard requirement in policies. Any less, he said, is "setting people up to fail."From Snyder's perspective, the bill was amended in a way that creates new avenues to make money from homeowners they've let down.But industry representatives told lawmakers the free market is the best medicine, and agents who fail their clients will lose them to another who doesn't. Furthermore, property casualty insurers in Colorado are paying out $1.37 in claims for every $1 they are receiving in premium payments, Mowry testified.That was hollow solace to Waldo Canyon Fire victims who showed little sympathy for their insurers during their testimony before the committee. They sneered that their insurers reported global profits in the billions of dollars in 2012 while offering them claims that fell short of the cost to rebuild their homes.Kefalas and Levy acknowledge that their proposed legislation isn't a cure-all for fire victims and in fact doesn't provide as many protections as either of them would prefer. However, compromising with the insurance lobby improves the bill's chance of becoming law."They have a lot of political power," Kefalas said.And, the sponsors agree, their proposal spreads the responsibility for adequate insurance fairly between insurers and policyholders."It seems to me we're still accomplishing our purpose here," Kefalas said. "We realized there were some gaps in the way these homeowners policies were set up, and the issue of underinsurance was one of the biggest problems."Regardless of what form it ultimately takes, Levy said homeowner protections are in urgent need of expansion. Prolonged drought conditions in the state and below average snowpack paint an ominous picture for the warm-weather months ahead. As it is currently written, the legislation would not affect existing policies or work retroactively to help High Park Fire victims. But it could benefit those affected by the state's next wave of wildfires."Last summer was a devastating summer for many homeowners, and they are still dealing with what they lost," Levy told the committee as snow fell outside the State Capitol. "I'm fearful that next summer, despite what we're seeing outside, is going to be another."