

## High rates of under-insurance making rebuild difficult

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The problem emerges after every wildfire in California

PARADISE — Nearly 11 months after the Camp Fire razed Amy McFarland’s neighborhood, two of her neighbors’ new homes look ready for move-in. She’d like to be a part of the rebuild of the town. But her family’s home was under-insured, and now they’re struggling to find solutions to fill the gap.

It’s a problem she shares with most of her neighbors. The delay in insurance payout because of ongoing negotiations or a payout that is less than the cost of rebuilding is preventing thousands of people from being able to afford to rebuild. As of this week, six homes have been completely rebuilt. That’s nearly nothing compared to the nearly 19,000 structures lost in the fire. Butte County and the town of Paradise have received 490 applications to rebuild homes so far.

There are other cost-related barriers to rebuilding, like permit fees and a premium on construction because of the housing crunch in the state. But that pales in comparison to the gap due to under-insurance.

The hurdle emerges after every wildfire in California, from the 1991 firestorm in the Oakland hills to the 2017 Tubbs Fire. Independent surveys by the non-profit United Policyholders have found that nearly two thirds of people rebuilding after wildfires were under-insured, a statistic that tracks with under-insurance rates in the general population. The average gap comes out to six figures, according to the surveys.

“They paid for the coverage that they had, and a lot of it is unfortunately on a case by case basis,” said Emily Rogan, with United Policyholders.

She said some people with claims have been able to get a larger payout if they are able to show documentation they asked for and thought they were getting full coverage. That means most of the disputes between policyholders and their insurance companies in Butte County are still ongoing. In the past, only around half of wildfire survivors had finalized their claims by the one year anniversary, she said.

“One of the hard pieces there is that it shouldn’t be this hard for people to get their insurance benefits

when they are under-insured because there's a clear gap and they'll need every single dollar to rebuild," she added. "Sometimes homeowners will need to come up with creative solutions to fill that gap." Even those with full coverage, like extended replacement coverage policies that can provide as much as 150 percent of the overall limit, are taking on extra costs in rebuilding. Per a 2008 survey by the state department of insurance, more than half still ended up paying out-of-pocket costs.

Because many of the claims in Butte County have not yet been settled, it's not easy to get the latest, most concrete data. As of May, there were 18,533 insurance claims on personal property loss in Butte County following the Camp Fire, according to the state Department of Insurance. Nearly 12,000 of those were for total losses. The estimated losses were \$7.4 billion. Those are likely an underestimate.

For example, McFarland's insurance policy with American Modern Insurance Group, Inc. covered \$124,000 of the \$175,000 she and her family owed on the 2,000 square foot home and 1/3-acre lot they bought 15 years ago, leaving over \$50,000 outstanding. Rules imposed by the mortgage company have made it difficult to access the payout, McFarland said. And the strategies she's pursued to cover the gap and the added costs of the plans and permits for a rebuild, like a Small Business Administration loan, haven't worked out.

"It's the not having a plan that's really rough," she said. "It's still our lot, even if it may not be worth a lot. But we can't even sign up with a builder."

They are still making monthly mortgage payments on an empty lot. They get pamphlets advertising foreclosure in the mail every couple of weeks.

For now, they are staying on family property near Pulga. McFarland drives about three hours a day — from Pulga to Paradise twice a day — to bring her kids to and from school in Paradise, where they still have some friends. She still wants to rebuild, despite the panic every time there's wildfire smoke in the area or they get stuck on the side of the road, despite the bureaucratic hurdles she documents in massive binders. She already chose a floor plan, which she realized afterwards was nearly identical to the home's former layout.

But her resolve is wearing down.

"I was so sure that in six months we'd have a house," she said. "The one year mark will be really hard. That might just sway us."