

Homeowners Urged to Avoid Underinsurance as Rebuilding Costs Rise

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A new study found that 74% of homeowners who filed insurance claims after the 2021 Marshall Fire in Colorado were underinsured by an average of \$139,000. With rebuilding costs rising due to inflation, labor shortages, and natural disasters, homeowners are being urged to review their insurance coverage and consider extended or guaranteed replacement policies to avoid financial ruin if their home is destroyed.

Why it matters

Underinsurance has been a widespread problem after disasters, leaving many homeowners unable to rebuild. As rebuilding costs continue to rise, it's crucial for homeowners to ensure they have enough coverage to fully replace their home if needed.

The details

The study "Coverage Neglect in Homeowners Insurance" analyzed nearly 5,000 policyholders affected by the Marshall Fire and found that many homeowners simply accept the coverage amount suggested by their insurer, which is often insufficient. Rebuilding costs are increasing due to factors like inflation, labor shortages, and the spike in demand for materials and labor after natural disasters. The median cost to rebuild a home in the U.S. is now around \$280 per square foot, or about \$410,000 for a typical American home.

The Marshall Fire swept through the Boulder suburbs in December 2021.

More than a year later, most homeowners who lost their homes in the fire had not begun to rebuild.