

[Insurance gap may leave fire victims on the hook for millions](#)

KTVU

SANTA ROSA, Calif. (KTVU) – Some North Bay Fire victims may find their homes underinsured by hundreds of thousands of dollars. It's a big surprise that is not uncommon after disasters. In recent years, state insurance regulators have taken action to minimize the issue.

"I am fully expecting to see North Bay wildfire victims to have the same underinsurance statistics after what we saw in the San Diego fires and even the Oakland [Hills] fires," said Amy Bach, the executive director of United Policyholders.

United Policyholder is an insurance consumer advocacy non-profit group that surveyed survivors of several other major California disasters. 2 Investigates reviewed the group's data showing in the 2015 Valley Fire, 53 percent of responding fire victims told UP their homes were underinsured. In the Butte Fire, 65 percent said the same, and in the San Bruno explosion, 50 percent of respondents reported their homes were under-insured. In the 2007 San Diego wildfire, United Policyholders said 66 percent of victims reported their policies did not cover the full cost of rebuilding their houses.

"Statistics from our survey and from industry sources is that 2/3 of the homes in the U.S. do not have enough insurance to rebuild in the event of a total loss," said Bach. "99.9 percent of the times, people never know, and it doesn't matter because it only rears its ugly head when you need every dollar from your insurance policy to get back on your feet."

2 Investigates attended an insurance workshop United Policyholder's co-hosted in Santa Rosa for North Bay fire victims. Attendees packed the room, filled aisles and even filled the overflow space in the hallway. Several fire survivors said they felt they were under-insured.

Although a problem, it is unclear how many North Bay fire survivors are significantly under-insured. The process of calculating the loss can take months.

In January, California State Commission Dave Jones won a major legal battle against the state's insurance industry. The Association of California Insurance Companies and the Personal Insurance Federation of California sued Jones after he adopted regulations requiring insurers to provide complete home

replacement estimates to homeowners.

“What the Department discovered in the wake of the Oakland Hills and San Diego wildfires was that insurers were leaving out portions of the estimate and giving people less insurance, and people were getting less insurance than needed,” Jones told 2 Investigates. “Why did companies do that? One possibility is they want to make a sale. To make a sale, you show the lowest possible price to get the business.”

The case made it to the California Supreme Court where a 7-0 decision affirmed Jones’ authority against a major insurance industry legal challenge.

When asked if he believed a significant number of North Bay fire victims will find their homes to be under-insured, Jones said, “It’s too early to say at this junction, but what we do know is today we announced more than three billion dollars in insured losses based on the claims to date. That’s a big number.”

2 Investigates went to Sacramento to get answers from the state’s insurance industry. We sat down with Nicole Ganley, the public affairs director of the Association of California Insurance Companies (ACIC). ACIC is the same association that sued Jones for the consumer protection regulation.

“The number one goal is to turn our policyholders back to normal. Insurance companies have been working with the insurance commissioner and policyholders to expedite claims and get the process going,” Ganley said.

When asked why the public should trust insurance companies after they sued the Insurance Commission over regulations aimed at protecting customers, Ganley said, “That lawsuit was just about the Commissioner’s authority. That’s what the lawsuit was about...California has a very competitive homeowners insurance market. Insurers want to do business here.”

How to tell if your home is under-insured:

1. –Find out how much your home is insured for in the case of a total loss. A)
2. Find out the square footage of your home. B)
3. Find out the how much you’re insured for per square foot by dividing your insured amount A) by the square footage of your home B). $A/B = \text{Insured amount per square foot}$

*If that number is less than \$200, United Policyholders says there is a good chance your home is under-insured. Call your insurance company to talk about the process of obtaining full coverage.

Other tips to prepare for a disaster:

1. Inventory everything in your home. Home inventory apps make it easy for you.
2. Read the fine print. Ask whether your home is fully insured in the wake of a total loss.
3. Trust but verify. If an insurance company representative gives you a dollar figure, get a second



opinion.

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