Most S.D. Wildfire Victims Still in Struggle with Insurance Companies to Rebuild

Even though it's been six months since wildfires ravaged more than 1,600 homes in the San Diego area, only a handful have begun to rebuild. That's because for many wildfire survivors, dealing with their insurance companies was like a second disaster. Reporter David Nogueras has more.

Jeanette Stratton returned to her San Pasqual neighborhood six months ago to find her three bedroom, two story home completely incinerated. Three foot flames were still shooting out from the pile of ash and rubble.

Firemen had pulled her patio set away from the back of the house to keep it from fueling the blaze. Some exhausted firefighters were slumped in the patio chairs when one of the men came up to her.

Stratton: We said, we said look we're really sorry we weren't able to do anything to save your house but if you know of a place in your house maybe where your jewelry was I'd be happy to go over there and see if I can dig around and find something for you, and I said oh my god it's still on fire, you really don't have to do that.

At that point, Stratton did not know how hard she would have to fight with her insurance company to get back what she lost. At the core of the dispute is how much it will cost to rebuild her family's 2,000 square foot home.

Her insurance will pay up to $366,000, but Stratton estimates her cost will be much higher, up to $500,000. She's now locked in a battle with her insurance company, Allstate, for the difference.

Under-insurance is more common than most people think. According to Marshall & Swift/Boeckh, a company that makes software for tracking rebuilding costs, two thirds of American homes were underinsured last year, by an average of 21 percent.

Candysse Miller is the executive director of the Insurance Information Network of California, a trade association for the Insurance industry.

Miller: Insurers want to make sure that people are properly insured, but it is so largely incumbent on the individual to make sure that their policy is up to date.

But in Stratton's case, she had kept her company up to date. She had made extensive upgrades to the

home she shares with her boyfriend, and after refinancing, they called their agent to up their coverage. Stratton says their agent told them not to worry.

Stratton: No problem...you're covered. Oh no you're covered, you're fine. No we're not.

It's stories like these that anger consumer advocate, Karen Reimus. Reimus says many people who lost their homes in the fires were underinsured from the day their policies were issued. She found that out the hard way when she and her husband lost their home in the 2003 Cedar fire. Reimus, like most policy holders had been quoted a figure by her agent after answering a questionnaire over the phone.

Reimus: We did everything right. I'm not a contractor when they set that number I relied on them to get it right.

Reimus now works for United Policyholders, a non-profit consumer insurance advocacy group. She says, in the aftermath of major disasters like October's wildfires, the majority of the people who file claims wind up being underinsured. And she says, in a competitive industry where consumers shop for the lowest premium, insurance companies have no incentive to see it end.

Reimus: Keep in mind that the agent at the point of sale also doesn't want you to call another agent, so if they quote you too high unbeknownst to you, they're scared that you're going to hang up and call another company.

Reimus says that insurance companies have another incentive to underinsure: to limit potential financial exposure in a catastrophe. That's especially true in a risky market like California where natural disasters like earthquakes and wildfires represent billions of dollars in potential claims.

But that argument doesn't hold water for industry representative, Candysse Miller.

Miller: Insurers make their money on premiums...that and though very good underwriting of course, they have to try and sort out who the highest risks are in the state and the lowest risks are, but in that process they have to try and set a price on risk but the bottom line tenet of pricing insurance is the highest risk clients tend to pay the highest amount for insurance.

And even though California is one of the the riskiest markets for homeowners policies, it's also the biggest market in the country which makes it a place insurance companies feel they have to be. Candysse Miller calls it a love/hate relationship.

Of course none of this matters to Jeanette Stratton. She just wants to rebuild what she lost. After filing a complaint with the state insurance commissioner, she hired a public adjuster to dispute Allstate's rebuilding estimate.

Stratton: I'm just trying to look forward and go forward and get things taken care of and move on with my life.

But she says she won't be able to do that until she knows how much money she'll have to rebuild her house.
For KPBS, I'm David Nogueras.