

## **People who lost homes in the Marshall Fire are trying to begin rebuilding. Their insurance coverage might stand in the way**

CPR News

Craig Swift was getting ready to install a charger for an electric vehicle at his home in Louisville, so he called his insurance agent at State Farm.

Swift and his wife, Cynthia, had just spent about \$45,000 to upgrade the siding on their home. The chargers have a small risk of fires and Swift wanted to be sure their policy was up to date.

“They ask you all these questions and they put all these numbers in,” Swift said.

After plugging in the data, the State Farm representative told him he was actually carrying more insurance than he needed and offered to lower his premiums. Swift declined to lower his coverage, but he didn’t increase it, either.

“I was like ... ‘Well, I guess that’s OK’ ... and we left it at that,” Swift said.

Just two days later, Swift’s house burnt to the ground in the Marshall Fire. After getting estimates for the cost to rebuild from architects and contractors, Swift thinks he’s actually underinsured by anywhere from \$50,000 to \$200,000, meaning he’ll have to come up with the difference in cash himself.

Swift said the big range in what it’ll cost to rebuild his home is because there’s all kinds of variables at play, like whether he’ll get the full value of multiple riders built into his insurance policy. For anyone who has ever had to deal with an insurance company, they know that’s no small task itself.

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Source:

<https://uphelp.org/people-who-lost-homes-in-the-marshall-fire-are-trying-to-begin-rebuilding-their-insurance-coverage-might-stand-in-the-way/> Date: June 26, 2022

And at that same time, it's difficult to get a builder to commit to a price to make homeowners whole again. Supply chain problems and fluctuations in the costs of building materials make it tough to pin down.

"Everything's sort of really wiggly right now .... By the time we build, those construction costs could change because the cost of lumber could go up or down," Swift said.

And, Swift said he's still waiting to hear from his insurer about just how much they will pay.

"There's this weird market disconnect between what the insurance company thinks it's gonna cost and what all these builders are telling us," Swift said.

This disconnect is not uncommon. While standard homeowners' insurance does cover wildfires, homeowners often find their policies don't necessarily mean they'll be made whole when they actually file a claim. According to United Policyholders, a homeowner's insurance advocacy group, two-thirds of wildfire victims in the U.S. are underinsured.

Insurance industry representatives point out that it's the homeowners' responsibility to keep their policies updated - not the insurance companies'. But as Swift's story shows, even the most meticulous homeowner can find themselves blindsided in the event of a total loss.

"Agents can help customers with estimating the replacement cost," State Farm spokesperson Sevag Sarkissian said in an email. "But the coverage amount chosen is ultimately the customer's choice."

Fueled by 100 mph winds, the Marshall Fire roared through grassy open spaces baked by drought and unseasonably warm temperatures and quickly turned into a suburban firestorm. Researchers say the conditions for similarly destructive wildfires are increasing due to climate change, primarily driven by greenhouse gas emissions from burning fossil fuels, which is expected to lead to more frequent and more intense blazes in Colorado and other Western states.

It's too soon to say how much insurers will ultimately be on the hook for in the wake of the fire, which burned about 6,200 acres and more than 1,000 homes in Louisville, Superior and unincorporated parts of Boulder County. But six weeks after the fire, many residents CPR News spoke with report feeling that

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contrary to what their catchy jingles would have people believe, insurance companies are making their lives harder – not easier.

Colleen and Greg Ehrnstrom lost their five-bedroom home in Louisville during the fire and are struggling to understand why their insurance policy is falling short. A builder told the couple it will cost around \$850,000 to rebuild. The Ehrnstroms' insurer, American Family Insurance, says the job should cost around \$646,000, but that their policy limits — the amount of insurance coverage the family had on their home — mean they will only get \$404,000 toward rebuilding.

The Ehrnstroms refinanced their mortgage last August after making substantial upgrades to the home, and they feel they were not adequately advised on how much insurance they would need.

“If you would have said to me, ‘You’re inadequately insured, you need to pay more,’ I would never have said no,” Colleen Ehrnstrom said.

Insurers' calculations on home value are often opaque to homeowners, making it difficult for people who lost a home to mount an effective challenge to their insurer's valuations.

“They will not answer any of our questions. They don't tell us where they get the algorithms. They take a week to respond and then tell us the same thing,” Colleen Ehrnstrom said.

The Ehrnstroms are unsatisfied with what American Family Insurance is paying out and have filed a complaint with Colorado's insurance commissioner.

Ken Muth, a spokesperson for American Family, said the company continues to work closely with the Ehrnstroms and other victims of the Marshall Fire. The insurer expects to pay out more than \$95 million for lost and damaged homes in the wake of the disaster, he said.

“We do our best to ensure our customers are appropriately covered, and that relies on customers notifying us when home improvements or life events occur,” Muth said in an email.

During a recent United Policyholders seminar for Marshall Fire victims, the group's CEO, Amy Bach, advised people not to give up after getting a check from their insurer.

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“When people are underinsured, very often their insurer will throw a check at them for the stated limit. And it may seem like a lot of money, but it may not be the full amount you are entitled to. And in a lot of cases, it’s below what a contractor is telling you it’s going to cost .... Just think of that first check as a starting point,” Bach said.

On top of the actual home that burnt down, fire victims also have to deal with cataloging and documenting all the contents of the home that were lost. When it comes to such personal property loss, Colorado law requires insurance companies cut a check for 30 percent of a homeowner’s total coverage without requiring any documentation. Some insurers have written checks for as much as 75 percent, but not all of them.

In the Swifts’ case, State Farm hasn’t budged on handing the couple over 30 percent of the value of their belongings without an exhaustive catalog of everything the family lost. The couple spend hours every day poring over a spreadsheet detailing thousands of personal items lost in the fire, down to the contents of their underwear drawers.

Sarkissian, the State Farm spokesperson, said comparing coverage and claims between companies isn’t an “apples-to-apples comparison,” as carriers have different contract terms and coverage amounts.

Swift remains frustrated with the entire process.

“They want to give you the smallest amount on the personal property, the smallest amount on the dwelling and make you work for everything in the process of trying to rebuild,” Swift said.

The Swifts have also filed a complaint with Colorado’s insurance commissioner.

A bill under consideration in Colorado’s state legislature would make it easier for wildfire victims to get cash immediately for the property they lost. The bill, introduced by Rep. Judy Amabile, a Democrat from Boulder, has garnered bipartisan support.

But future legislative fixes aren’t going to do much for the victims of the Marshall Fire.

Kathe Perez had lived in her 2,100 square-foot home in Louisville since 1992. Perez, 66, planned to pay

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off her mortgage in three years and eventually be able to live off the proceeds when she sold it and downsized. She too lost her home in the Marshall Fire. Her insurance company, Farmers, said she will get \$510,000 to replace the home, which she figures is about \$300,000 less than what she'll need. She says she can't find the additional money to rebuild.

"I'm never going to go home again," Perez said. "I was living out the life that I thought I was going to have. And I'm never going to have that."

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