

Santa Rosa firm helps wildfire victims navigate battles with insurance companies

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Three years since the Tubbs fire, there have been some notable improvements for homeowners who are wrangling with their insurance carriers in the aftermath of a wildfire loss.

The state Legislature enacted some reforms, such as boosting rental living expenses from a maximum of two years to three years after a disaster while a homeowner waits for their home to be rebuilt. Last month, Gov. Gavin Newsom signed legislation that required carriers to provide initial payments of at least 25% of their personal property that was destroyed without having the homeowner detail their entire inventory.

Yet there is still no solution for the most vexing problem of all: How to ensure that homeowners have sufficient coverage to rebuild their house and that they actually receive that amount?

In California, the onus is on the homeowner to ensure they have the right coverage amount to rebuild — a figure that only a local contractor would likely know. And most residents don't reach out to a builder when pricing or updating their coverage.

That was proven after the 2017 wildfires when a survey by the consumer group United Policyholders found about two-thirds of those fire victims were underinsured — with some in pricey Fountaingrove facing a shortfall of more than \$1 million. That number likely hasn't changed much, said Amy Bach, executive director of the San Francisco-based consumer group. It is a cold reality that will soon be discovered by hundreds of homeowners in the wake of the Glass fire, which destroyed or damaged about 800 single-family homes.

"At this point, I'm convinced that insurers don't want to solve the problem," Bach said.

As the problem lingers, a Santa Rosa firm is attempting to help homeowners protect themselves. BW Builder Inc. assists homeowners in the aftermath of a fire by preparing detailed reports on how much it will cost to rebuild their residence and puts the estimate in a format that places the burden on the carrier to accept the proposed charges. The firm also offers such reports for any homeowner wondering how much insurance they need to rebuild so they aren't underwater after a disaster. Those pre-disaster reports cost \$75.

Most homeowners are still unaware that their coverage is likely insufficient, especially as labor and materials cost have increased in recent years, said Matt Everson, a partner in BW Builder.

"Their answer is typically why would my insurance company underinsure me?" he said.

Everson is a retired certified financial planner who previously worked as an insurance company employee. In the aftermath of the 2017 fires, he joined with contractor Bill Wallace, who has deep knowledge of the Xactimate software program used by carriers that compiles the costs for rebuilding. BW Builder has since helped about 200 homeowners across California negotiate with insurance carriers. For the firm's first 100 clients, it found about \$60 million in additional coverage that was owed to homeowners than what their carrier originally offered to pay them, Everson said.

"Most of the stress when it comes to rebuilding is knowing that you're going have enough or if you're going have to basically fight your insurance company the entire length of the way," said Wallace, who noted that the firm can help speed up the payment process by months. "It kind of takes a load off someone's shoulders if they know exactly how much they're going have to build or replace."

That was the case for Darby Davy, who lost her home in Coffey Park during the Tubbs fire and had to battle with State Farm to get properly compensated. She noted that Everson informed her of a clause in her policy where she was entitled to an additional \$75,000 in payments as a result of her loss. "It's just very overwhelming," she said of the claims process.

The detailed estimate was Davy's leverage in her back-and-forth correspondence with State Farm, which was additionally hampered by out-of-state claims adjusters who didn't know the North Bay housing market. "State Farm just kept coming back to me saying you need to prove to me that you need the money," Davy said.

“It was almost like State Farm tried to wear me down and I wasn’t going to wear down. I needed to be able to rebuild my home. That’s what I paid them. I was insured properly, and they just didn’t want to deal with it,” she said.

Davy was able to move back into her rebuilt home last June.

State Farm said it could not comment on Davy’s treatment because of privacy issues, but the carrier noted that the claims process is complex and takes time.

“State Farm’s commitment to our customers is the same for all claims. That commitment is to pay what we owe promptly, courteously, and efficiently. Claims, especially the total loss of a home, can be complex. The claim process can take time and close collaboration is necessary to make sure we do right by our customer,” the company said in a statement.

The issue of underinsurance emerged after the 1991 Oakland Hills fire as insurance companies faced large payouts for that disaster. Carriers then moved away from home policies with guaranteed replacement cost coverage to a system where homeowners can pay for basic structure coverage and also purchase add-ons such as code upgrades and provisions that can pay up to 150% of the cost of structural damage.

In the aftermath of Tubbs, former Gov. Jerry Brown signed legislation requiring insurance companies to provide homeowners an estimate every two years of how much it would cost to rebuild a home. But the measure still placed the burden on the policyholder to ask for the home replacement cost estimate from their insurers and the law was deemed woefully insufficient by former Insurance Commissioner Dave Jones.

The industry contends that more consumers in Northern California are aware of the issue, following a series of significant wildfires over the past five years, and are taking action.

“I talked to a lot of people who went through the fires and it’s on top of their mind. Not only from the Tubbs fire, but when they saw Paradise burn it reminded them that this isn’t going away. I think that a lot more people have looked at their insurance,” said Janet Ruiz, spokeswoman for the Insurance Information Institute, a trade group that represents the industry. Ruiz lives in Lake County.

The United Policyholders survey on the underinsured was likely skewed, Ruiz said, since people who were upset with their carrier would be more likely to participate than those who were satisfied with the process. But the industry doesn't have any comparable data, she said.

One change in the aftermath of the Tubbs fire is that insurance companies are more amenable when homeowners request that their coverage be raised. Beforehand, there had been resistance from some carriers based on concerns that homeowners could be overinsured. That's not the case now.

"If you feel like that's the right amount of money to insure for, you can do that," Ruiz said.

Some Tubbs fire victims noted they pressed their agents before the disaster if their coverage was sufficient. That has led to legal battles as some clients of USAA and CSAA even filed suit on their underinsurance claims, noting that extended replacement policies even did not make up the difference.

As the wildfires linger, BW Builder anticipates more work. The company is not registered as a public adjuster so it doesn't enter into negotiations with the carrier. Everson said he doesn't consider himself a consultant but someone who can help educate his clients given his knowledge of the industry.

"I have to be sure anything I say about insurance is general, educational and not to be construed as advice. I'd love to hop on the phone with insurance companies and wring them a new one. I can't," Everson noted in an email. "We share stories of other clients and how they've used our estimates to get the results they desire."

The company charges a flat fee for its service and its rebuilding estimates range from \$1,500 to \$8,000. That is different than public adjusters who work on commission. United Policyholders said most public adjusters receive from 5% to 15% of a total insurance claim.

Davy said she appreciated the flat fee approach. "The fee that I paid Matt was nothing compared to the amount of money that he actually ended up getting me ... and that made a big difference for me," she said.

The incentives for the property-and-casualty insurance sector — which globally collected \$1.6 trillion in premiums in 2018 — are still in place to be stingy in paying out claims, Everson said. That means more

wildfire victims will keep reaching out to his firm.

“If you frustrate your client, they will eventually give up and they won’t ask for it. And it works,” he said.

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