

‘There should have been a failsafe’: Marshall Fire victims say they are massively underinsured

The Denver Channel

LOUISVILLE, Colo. — All that rises from the charred landscape after the Marshall Fire in Boulder County are decades of memories and what’s left of suburban homes that once seemed sheltered from wildfire.

Cindy White, who lost her Louisville home, said she was “totally unprepared for something like this.”

In the days and weeks after the fire, most victims assumed their home insurance policies would cover the full cost to rebuild but have recently learned their coverage is falling short.

“We have about half of what it will cost to rebuild,” said Shaun Howe, who also lost her home.

Based on multiple builder estimates, Howe believes she is underinsured by \$400,000 to \$600,000, and it’s the homeowners who are responsible for picking up that difference in cash.

“There should have been a failsafe,” Howe said.

White said her family is being told they’re underinsured by at least \$200,000.

Mario Jannatpour, another victim who lost his family’s home in the Marshall Fire, has a similar story.

“We could be underinsured anywhere between \$250,000 to \$400,000. That’s substantial,” Jannatpour said.

“I think there’s a systematic problem,” White said.

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Division of Insurance looking into underinsured issue

Colorado Insurance Commissioner Michael Conway said the state is actively working to figure out how large the underinsurance problem really is with the Marshall Fire.

The Division of Insurance is charged with overseeing the insurance industry and has launched an investigation, asking insurance providers to share policy limits for every home lost in the fire.

“There is a potential underinsurance problem when you have large-scale disasters,” he said.

He added the state will use that information to determine the magnitude of the problem and any possible solutions.

“We’re the first to start to gather the information related to a specific fire,” Conway said.

And this isn’t just a Colorado problem.

According to United Policy Holders, an insurance advocacy group, two-thirds of wildfire victims in the United States are underinsured.

“There are many layers to what can contribute to underinsurance, from how large a fire is, to price surges, to supply-chain issues,” said Carole Walker, executive director of the Rocky Mountain Insurance Information Association.

It’s important to update your policy

Walker said it is the responsibility of the homeowners to update their insurance policies every year.

“It really is a two-party contract between the insurance company and the individual, so there really are responsibilities on both sides,” she said.

But Denver7 Investigates found homeowners who did update their policies shortly before the fire are still finding they’re underinsured.

"I was told that we were covered," said Howe. "It was absolutely represented to us as a policy that would replace our home in the event of a loss."

Just 28 days before the fire, Howe got a new insurance policy through State Farm. But after getting multiple estimates from builders, she's being told it will cost her close to \$1.3 million to rebuild. That's more than double what her insurance plan covers.

"I think I did everything right, and I'm still in this position of having to decide if it makes financial sense for us to rebuild our home," she said.

Walker said her organization and the state are both looking into issues like Howe's.

"What were the reasons for that individual? Is that an individual situation or is it more systematic? Those are all things we're looking at right now," she said.

Howe has since filed a complaint with the Division of Insurance but said that brought the whole rebuilding process to a halt.

"The trauma continues on a day-to-day basis because you have to fight for everything," Howe said.

Other victims like White and Jannatpour said they updated their policies in the past few years.

"There is a level of responsibility from the insurance company," Jannatpour said.

All these homeowners hope to rebuild, but said they still don't know if they can afford the insurance gap.

"This shouldn't have happened. These building conditions didn't start last month," Howe said.

Howe and the other fire victims still want to figure out exactly how much their insurance will pay. They are being told rebuilding is still years out, which has made it even harder to find a builder who will lock down a price.

The Division of Insurance said it hopes to have an idea of how large the underinsurance problem is in the next few months.

In a statement, State Farm said: “Due to our company privacy policy, we can’t speak to the specifics of any individual policy or claim. While State Farm agents can assist customers with estimating the replacement cost of their home when purchasing a policy, ultimately the amount of coverage is the customer’s choice. We understand that this is a difficult time for our customers and we are working with them to make sure they receive all benefits to which they are entitled within the terms of the insurance policy.”