Under-insured fire families in a tough spot

Scores of Witch Creek fire victims are learning they do not have enough insurance to rebuild an equivalent home.
Valerie Brown, RB United project coordinator, said at least 110 families she is helping navigate through the recovery process have discovered their homes were 30 to 50 percent under-insured.
Because not all local fire victims are registered with RB United, its area includes RB, Poway, Rancho Santa Fe and fire victims from other communities, she said the number of local under-insured is “probably higher than that.”
The result: they are building a smaller house or without the original’s upgrades, using savings or loans to build an equivalent house, selling the lot to purchase a house elsewhere or using all their insurance money to pay for construction.
“They have taken their contents coverage) and applied it to the dwelling to get the house they had before, but there will not be much inside,” Brown said.
Some did have adequate or very close to sufficient coverage, Brown said, adding the best settlements are often coming from member-owned companies.
To get data that can be used to change state laws and help property owners suing insurance companies to get a fair settlement, United Policyholders — a national watchdog organization that works to protect insurance customers’ rights and guide victims through the rebuilding process — is conducting a survey among 2007 wildfire victims in San Diego and San Bernardino counties to determine how many had adequate or inadequate insurance to rebuild an equivalent house and why.
June 1 is the deadline to complete the survey, available at http://www.rbunited.com

and RB United, 16776 Bernardo Center Drive, Suite 110.
While it is the property owner's responsibility to make sure the policy is updated at least yearly and the company is told of major renovations or upgrades — such as replacing carpeting with hardwood flooring — Amy Bach, United Policyholders executive director, said insurance companies are often also to blame.
Bach said main causes for companies selling inadequate policies are:
It is more profitable for companies to cap payout amounts since about one of every 1,000 policy holders will fight the settlement.
Agents are paid commissions so if under-insuring makes their premium quote lower than a competitor's they are more likely to make the sale.
Insurance companies have "a bad habit" of using the extended replacement amount to make up the difference between the policy limit and what is really needed.
"That habit) has really been causing a lot of this under-insurance) problem," Bach said.
"Before a loss many companies) do the math wrong, yet afterwards can calculate cost out to a penny," Bach said.
To figure the amount needed, companies use software, often from Marshall and Swift, to determine replacement construction cost. However, the inputted information must be accurate.
Jan Rasmussen, RB United outreach coordinator, said she has seen a policy written for a 2,000-square-foot house when the house was really 2,700 square feet and "custom" kitchens described as "standard."
She said owners need to give agents "descriptive terms" when listing a house's features because "when you describe it a certain way, it kicks replacement cost) into a price higher than standard."
While the software does not factor brands, agents will hopefully input information as "designer" or "custom" instead of "standard," she said. Owners must also check the description once they receive the written policy. If it seems inadequate, insist the policy is rewritten

for a higher amount, even if it means paying a higher premium.
Rasmussen said owners are often told the amount needed for dwelling replacement is, for example, $400,000 Part A of the policy) and the extended coverage — usually 25 to 50 percent of Part A — will accommodate for inflation and spikes in construction costs.
If a $400,000 policy has extended coverage of 50 percent, owners are told they will have $600,000 to rebuild. Yet often the real rebuilding cost is $600,000, which means there is no money to cover building code upgrades and inflation.
Since contents coverage is usually 70 to 75 percent of the dwelling amount, customers are also shortchanged on the amount to replace items, such as clothing and furniture.
The amount allocated to landscaping and other structures is usually 10 to 20 percent of Part A. When inadequate, owners are forced to use savings or loans to pay for landscaping that can cost up to $100,000, depending on lot size, Rasmussen said.
MONTELENA FAMILY FORCED TO SELL LOT
Polina Braunstein had "an incredible 360-degree view" from her home in Rancho Bernardo's Montelena neighborhood prior to the Witch Creek fire in October 2007.
However, a "for sale" sign on the Braunstein's empty lot indicates the family will not be moving forward in its fire recovery on the Lancashire Way property.
The main reason: Braunstein said it will cost $200 per square foot to build an equivalent house on the property where the family has lived since 1998.
The Braunstein's insurance company — ANPAC — sold them a policy that will pay $87 per square foot.
"We were grossly under-insured," Braunstein said, adding the money they will receive is not enough to purchase an equivalent house either.
"When you invite an agent to your property, you expect to get the right information about what it will cost to rebuild your house."
Yet, they are looking to buy a another house in Rancho Bernardo

because “We have lived in RB since 1991, it’s a lovely community and I like the school district,” she said, adding their son graduated from RB High and daughter, an eighth-grader at Bernardo Heights Middle School, is looking forward to going to RB High. For now, the family is in 4S Ranch.

“We’ve had incredible support from everyone in Rancho Bernardo … and Scripps Ranch,” she said.

“The community is amazing and we’d never trade it.”

They tried to get insurance coverage through AAA, but because “we were so close to wild vegetation) they refused to take us.”

Braunstein said the policy they were able to buy was not adjusted to cover rising costs and the remodeling they were having done at the time their house burned down.

Her advice to others, if you are not familiar with construction prices, get an independent estimate; when remodeling, contact the insurance company within two weeks; and if living near a “wild” area with too many trees and bushes, bring it to the attention of the fire department and community.

Braunstein said the city and homeowners association, in her opinion, did not thin the vegetation near the neighborhood properly.

When they select their next house, “I do not want to see anything wild around me,” Braunstein said. “It’s too scary.”