

Under-insured homeowners left without enough to rebuild after North Bay Fires

ABC 7 News

On the anniversary of the North Bay Fires that burned thousands of homes to the ground in Santa Rosa, we are finding many homeowners will not have the cash to rebuild. Why? They were under-insured, they say, through no fault of their own.

A month after the fire we visited the Sherwood's home in Santa Rosa, the buildings were gone, the trees were blackened ash was everywhere.

We recently returned to meet Brandy and Brad Sherwood. Building in the neighborhood was picking up because the Sherwoods banded together with neighbors hiring a single contractor to rebuild their homes. Getting the insurance payments worked out has not always gone as the homeowners would prefer. The Sherwoods, like many there, didn't have enough insurance to rebuild what they lost.

When asked why they were under-insured? Brandy says, "That is a great question everyone is trying to answer in the county. I don't think anyone has the answer. Policies are set by the insurance company, not by the person purchasing it."

Brad Sherwood adds, "State Farm did issue a special investigation into our policy because we wrote so many emails and made so many phone calls and what they found is... They came back and said, 'Nope, you are insured properly.', and our big question is, 'How can that be? when it is four years old and we are \$100,000 plus, under-insured?'"

The Sherwoods are insured by State Farm which would not discuss the Sherwood's claims, citing privacy concerns but did write, "We are always willing to work with our customers to make sure they are receiving the full benefits allowed within their policy."

Amy Bach heads up United Policy Holders, a consumer group advising homeowners after the fires.

"There is a basic disconnect between the way insurance companies sell their product and the way they deliver it," she said.

Amy says in most fire zones around 60 percent of the homes are under-insured. She believes sometimes insurance companies sell less than what is needed because homeowners are price sensitive and the

companies want to make a sale.

“That doesn’t make sense, it is not a benefit to the insurer to sell less than what is needed,” Industry group The Insurance Information Institute responded.

But both sides agree this is a contract and everyone must pay attention.

“Insurance is a contract that is written by lawyers,” Amy says, adding, “it has a lot of fine print, insurance is big business, there’s a lot of money at stake.”

Laney Wall and her husband are dealing with that business arraignment right now. Her home was insured for less than \$600,000. The cost to rebuild a similar home on the now vacant lot, is pushing \$2 million. She says she and her husband asked for more insurance coverage and her lender questioned if the policy amount was enough to rebuild.

The Insurance company for the Walls, USAA, declined an interview citing privacy issues. However, in a statement said: Our members do have the final decision on how much and what type of coverage they should purchase.

Laney says all the blame does not lie with the insured, “The insurance companies know that stuff. They handle this stuff. That is their job, that is their everyday business. So to me it is not fair to put that burden on us.”

Discussions between USAA and Laney are moving into mediation.

The Sherwoods and State Farm are still talking.

Amy Bach says this many consumers, in this many fires, are not to blame, “It can’t be they were all being cheap and lazy. It has got to be a problem on the insurance company side, and it is.”

USAA Statement:

“At USAA, we care about our members’ financial security, so helping our members select the proper type and amount of insurance for their home is important to us. We work with our members from the time a property policy is issued through the lifetime of serving their property insurance needs to help ensure they continue to protect what is often their largest and most cherished investment – their home.

Our members do have the final decision on how much and what type of coverage they should purchase, and members have different preferences. Privacy laws prevent us from commenting more specifically about individual members and the reasons they chose the coverage they had at the time of the fires. We know recovering from devastating fires like the one that hit the Bay Area is not easy, and we will continue to work with our members throughout the recovery process.”

State Farm Statement:

“Due to our privacy policy we are unable to speak to the specifics of any customer’s individual claim.

State Farm is committed to helping our customers recover from the tragic wildfires. It is our intent and obligation to pay what we owe under the terms of the policy. We are always willing to work with our customers to make sure they are receiving the full benefits allowed within their policy.”

The Insurance Information Institute offers these tips:

How to Get Financially Prepared:

Make sure the details of your policy are right and update them each year. Talk to your agent or company to confirm these details are correct in your policy:

Square footage

Number of bedrooms & bathrooms

Number of windows & doors

Type of roof & siding

Type of finishes – counter tops, flooring

Demand surge following a major wildfire can increase the cost of materials and labor. Ask your agent or insurer about:

Extended replacement cost coverage

Building code upgrade coverage

Automatic annual adjustments for inflation

Do you need a small business or agricultural policy to cover business equipment or farm land?

Make a home inventory and update it annually:

Use your insurers’ app or software – Keep it in the cloud:

Scan and save receipts for major purchases

Document when, where, and how much you paid for each item

Use your smartphone to document each room of your home

Describe the details of each room on your video, open drawers, closets, include your garage

Note special items like jewelry, antiques, high end furnishings, artwork or rare collections