

Understanding Insurance Policies for Homes in Wildfire-Prone Areas

The New York Times

The worst wildfire season in years is forcing many Californians from their homes and has caused the destruction of hundreds of houses, cars and other property.

Amy Bach, executive director of United Policyholders, a nonprofit group that assists consumers with insurance issues, urges homeowners who live in areas at risk of wildfires to double-check their policies to ensure they have adequate coverage to rebuild their home if it is destroyed. While California is prone to devastating fires, she says, they can occur elsewhere as well, particularly in other parts of the West. (CoreLogic has published an analysis of residential wildfire risk in 13 states.)

You can take your policy limit, she suggests, and divide it by your home's square footage to get a rough estimate. If the number is less than \$200 per square foot, you're probably underinsured and should consider purchasing more coverage. You should also make sure you have "code upgrade" coverage, which helps cover the cost of bringing your new home up to the latest building standards.

"Think about, 'What would a contractor charge to rebuild from the ground up?'" Ms. Bach said. The United Policyholders website has tips and resources for handling a claim.

Damage to your home from a wildfire is covered by a standard homeowner's insurance policy, as damage from any other sort of fire would be, said Janet Ruiz, a spokeswoman in California for the Insurance Information Institute, an industry-sponsored group. Repair and cleaning of smoke-damaged furniture — and water damage, from firefighting efforts — are covered as well. The amount a policyholder receives depends on how much coverage was purchased and, if applicable, the deductible — the amount paid out of pocket, before the policy pays.

In addition, standard policies cover "additional living expenses" in the event of a disaster, including a fire. That includes the cost of living away from home if there's a mandatory evacuation, or if the home is damaged and uninhabitable. Such costs include hotel bills, meals out and other expenses while the home is being rebuilt, as well as the purchase of new clothing. Save receipts to document your expenses, Ms. Ruiz advised.

Coverage for additional living expenses varies by insurer, but policies often provide coverage for 20 percent of the total insurance on your house. In addition, some policies may set time limits on coverage. You can usually purchase additional protection for an extra premium.

One type of wildfire damage that typically isn't covered, however, is the destruction of landscaping and plants around your home, according to the National Fire Protection Association.

Ms. Ruiz, an insurance industry veteran, recently learned firsthand what it's like to have property threatened by a natural calamity. Last Saturday, she and her husband were forced from their house in Hidden Valley Lake, Calif., near Middletown, by the Valley Fire, one of numerous wildfires that have recently devastated parts of drought-stricken California. Ms. Ruiz said she was driving home when she saw flames and had to turn around. Her husband was at the house and had to evacuate. "It was pretty scary for him."

The couple learned this week that their house was spared. They have not yet been allowed to return to the property to assess the damage, since there are still hot spots in the area and emergency crews don't think it's safe. They expect to return on Sunday.

Here are some questions and answers about insurance and wildfires:

■ Will I pay a higher homeowner insurance premium if my home is near a fire-prone area?

Various factors go into your insurance premium, and living in a higher-risk area affects your rates, as does your home's proximity to firefighting resources, Ms. Ruiz notes. Rates have increased for some homeowners in California, as a prolonged drought has fueled fire risk.

■ Are there discounts available if I take steps to protect my home from wildfire?

Lorraine Carli, vice president of outreach and advocacy for the National Fire Protection Association, said some insurers may offer discounts for homes in communities that had taken steps to reduce wildfire damage — like clearing brush and vegetation to create a buffer around buildings. USAA, for instance, now offers insurance discounts for homes in California, Colorado and Texas that are in areas designated by the association as "Firewise."

You can learn more about the "Firewise" program on its website.

■ What if my car is damaged or destroyed in a fire?

Damage to your car typically would be covered under the optional, "comprehensive" portion of your automobile insurance policy, which generally covers damage that is not caused by a car accident.