

[Wallow Fire: Property owners facing insurance issues](#)

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While consuming hundreds of thousands of acres of forest lands and meadows, the Wallow Fire has destroyed more than 50 structures in its path, with more than 5,000 still in danger.

Whether the owners of destroyed or damaged buildings will be able to rebuild and restore them to pre-fire condition could depend on the state of their insurance. Odds are, about half of them could face trouble.

Adjusters for most of the major insurers in the state are preparing for the claims process, with representatives of companies such as State Farm and Farmers paying visits to Lakeside Blue Ridge High School, where many evacuees are staying.

The process is likely to be painful for home and business owners, according to those who suffered damage in previous wildfires.

Properties with mortgages almost certainly are covered, because lenders demand insurance. Properties purchased with cash don't have the same requirement, meaning a home could be insured for far less than its replacement cost, or perhaps not insured at all.

Homes and businesses in Greer, Alpine, Eagar and Springerville have been abandoned for days as people evacuated those communities for safer ground. Damage from smoke or fire retardants could affect numerous properties near the fire's path.

Although some property owners used trailers and trucks to haul what they could from their homes and businesses, most left behind furniture, appliances and other belongings. Many owners of vacation or second homes were unable to reach their properties in time before evacuation orders were issued.

Frank Allen of Missoula, Mont., said three generations of his family had visited their Greer cabin, known as "Mamo and Papo's cabin" in memory of his wife's parents.

The cabin's fate is uncertain. Allen said a family member went to retrieve some prized possessions from the cabin this week, including Papo's "gold-felt hat that he hunted and fished in, that had an inexplicable bullet hole in it." But the roads were blocked by the time he arrived.

What awaits residents at their homes when the fire has been extinguished has yet to be seen. If history is a lesson, insured people who lose their homes to the Wallow Fire could spend an extended period of time negotiating with their insurance company. Some may find they are underinsured, a “chronic, serious problem” for homeowners suffering losses after a fire, according to Amy Bach, executive director of San-Francisco based United Policyholders. She estimates that more than one-half of insurance holders affected by wildfires are underinsured.

Some will believe they were fairly reimbursed, such as Bari Mears, a Phoenix resident whose vacation home was destroyed in the 2002 fire.

Others will find themselves fighting over claim amounts, like Betsy Moore, a Pinedale resident who lost her home in the 2002 Rodeo-Chediski Fire. She says she never received what was owed from her insurance company.

If the president declares the Wallow Fire a federal disaster, the Federal Emergency Management Agency will be able to assign money and resources to help those without insurance, as it did for those displaced after Rodeo-Chediski, FEMA spokesman Casey De Shong said. If he doesn't, those resources won't be available.

More than 8,200 people registered with FEMA after the 2002 blaze that forced the evacuation of tens of thousands of people. Of those who registered, FEMA only was able to provide money and resources to those who were not insured.

The federal agency did not have the number of uninsured individuals who qualified for aid during Rodeo-Chediski immediately available on Friday. Arizona Republic archives indicate \$41 million in aid helped to rebuild homes and communities. More than \$32 million of that came from the federal and state government.

A difficult process

The days and weeks after a catastrophe are a crucial time for homeowners with fire insurance. If owners find damage to their homes, they should alert their insurance agent immediately.

Then, begin making lists, said Bari Mears, who lost her second home to a fire in Bison Ranch near Overgaard in 2002.

“I think people walk around in state of shock for an awfully long time. They say, ‘I have no place to go,’ ” Mears said. “And although it's difficult, my advice to people is they need to start taking an inventory of their home quickly. Take the time to do it because it's well worth it.”

People can also submit photos and videos of their home to strengthen their claims.

Home and business owners should also track all of their expenses from the time they were evacuated, said Erin Klug, a spokeswoman for the Arizona Department of Insurance.

Falling short

In the weeks ahead, hundreds of people could report damage or loss of their homes and businesses.

Many of those with claims may be surprised to find that they're underinsured.

Bach, with United Policyholders, a non-profit that assists people with insurance claims, says more than half of insurance holders affected by wildfires are underinsured.

UP research after a September wildfire in Boulder, Colo., found that 61 percent of the 169 people who lost their homes were underinsured, she said.

The good news, she said, is that unlike earthquakes, hurricanes, tornadoes or other special exclusions that insurers make, all policyholders should be covered for fire damage.

She said that there are several reasons people tend to be underinsured to cover their losses.

One is that the mathematical formulas used to determine coverage by the insurance companies are usually based on figures for tract homes, not the individualized properties that often burn in wildfires.

And she said people sometimes prefer to buy policies with an affordable price but with less coverage than needed.

Others could be underinsured if they increased the value of their home, either through an addition or upgrade, and did not report it to their insurance agent, said LuWanna Nielsen, a spokeswoman for State Farm Insurance.

State Farm is the largest homeowner insurer in Arizona. It tries to mitigate the number of underinsured dwellings by providing homeowners a 20 percent cushion between the replacement cost of the home and what the home is insured for. That means if a homeowner insured his or her home for \$80,000, State Farm will pay up to \$100,000 to fix or rebuild the home.

"Ultimately it's up to the policy holder to tell us this is the insurance coverage that I'm willing to pay for," she added.

According to a report that the National Association of Insurance Commissioners released last year, a majority of fire insurance policies covered between \$200,000 and \$299,999 worth of damage in 2008.