

[Will Home Insurance Pay To Fully Rebuild? Probably Not](#)

NBC Bay Area

It's been 12 months since Madonna Day's home burned down in the North Bay wildfires.

"I miss it so much," she said. "My whole life's treasures and memories are gone to ash."

She and her daughter Marie-Louise Clark are eager to rebuild the farmhouse they called "Middle Earth." But there's no sign of construction. The lot remains empty.

"I can't replace it," Day said. "They haven't come through."

"They" are State Farm. Madonna and Marie-Louise were stunned and upset to learn they were dramatically underinsured, even though State Farm automatically adjusted their coverage each year.

"There is a gap of at least \$1 million in what it would take to rebuild this," Clark said.

A contractor report estimates it will cost \$3.2 million to rebuild the home. Day and Clark say their policy will pay a maximum of about \$1.5 million.

"They actually gave us less than half to rebuild," Clark said.

That's a familiar chorus in the fire zone. United Policyholders, a San Francisco nonprofit that helps people tackle insurance claims found 66 percent of North Bay fire victims were underinsured.

So who's responsible for making sure you have enough coverage? You are.

Even though insurance companies automatically adjust your policy yearly, State Farm's website is clear: "The choice is yours."

Amy Bach, who leads United Policyholders, says most people just renew with whatever the insurance company computer spits out. She believes those formulas can better reflect building costs.

"The law has to change," Bach said, adding that she believes if insurance companies cannot accurately approximate building costs, they should give their customers a warning.

"You've got to tell your customers that," she said. "You can't continue to lull people into a false sense of security that they have enough insurance to put their house back, and then have them find out after the fact that that's not true."

NBC Bay Area contacted State Farm. It declined to talk specifics of Day and Clark's case. Instead, it sent

a statement that says, in part:

“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.” But Day and Clark say even getting what State Farm owes is a struggle. They said they are ready to just accept the seven-figure shortfall and take what their policy offers. And yet, State Farm still has not paid them in full to rebuild.

“It just doesn’t seem fair,” Day said. “You spend years and years paying for your insurance. And then, to have to battle for rebuilding. That’s cruel.”

As for why some homes are already rebuilt while Day is still waiting to be paid, State Farm said, “The timeline to process a claim can vary as each customer’s situation is unique.”

To see if you are underinsured, ask a builder if you could rebuild your home for the amount of money listed in your homeowner’s policy. If not, ask your insurance agent to review – and likely adjust — your coverage level.

State Farm’s full statement to NBC Bay Area:

“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 timeline to process a claim can vary as each customer’s situation is unique and every claim is handled based on its own merits. Communication with customers is ongoing throughout their claim and payments are made on a regular basis until the claim is closed.”