



EMPOWERING THE INSURED

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**United Policyholders Survey Shows 2007 Wildfire Victims  
Grossly Underinsured, Majority of Claims Not Resolved**  
*Fewer than 50 percent have received dwelling claim settlement offers*

**SAN DIEGO, CA June 6, 2008** -- Eight months after wildfires devastated communities in San Diego and San Bernardino counties, only 46 percent of victims surveyed by insurance consumer group United Policyholders have received a settlement offer from their insurance company and of those, only a third said the offer was enough to rebuild their home.

Other key findings include:

- **75% of respondents were underinsured** on their dwelling.
- The **average** amount by which people were underinsured is \$240,000.
- **Only 18% of respondents have complained** to the California Department of Insurance.
- Less than 22% of respondents got the list of reimbursable expense items that insurers are required by California law to provide.
- Insurers have waived the requirement that every single destroyed item be itemized/inventoried for 25% of the respondents.
- Underinsurance is less of a problem on personal property and temporary living expenses than on dwelling coverage.

United Policyholders (<http://www.uphelp.org>), a national non-profit insurance consumer advocacy group, conducted the survey in partnership with two other disaster relief non-profits -- RB United ([www.rbunited.org](http://www.rbunited.org)) and Rebuilding Mountain Hearts and Lives ([www.heartsandlives.org](http://www.heartsandlives.org)). The survey's goal was to

identify the status of homeowners' claims and obstacles to rebuilding and recovery. 274 fire survivors participated in the survey.

According to United Policyholders Executive Director Amy Bach, "The survey results debunk industry claims that nearly 90% of the fall 2007 disaster claims were settled by April, 2008 and show that underinsurance remains a severe problem for homeowners."<sup>1</sup>

The most significant recovery obstacle revealed by the survey is underinsurance. Homes were insured for an average of \$157 per square foot, but the actual cost of rebuilding homes is running \$220-\$350 per square foot. Survey respondents were insured for as little as \$31.20 per square foot and as much as \$425.34 per square foot.

The most dramatic survey finding is that the victims are underinsured by an **average** of \$240,000. The range of underinsurance is from a low of \$5,000 to a high of \$1 million. Removing the two aforementioned outliers, the average underinsured dollar amount is \$234,500.

Another dramatic finding is that despite the severe underinsurance problems, few victims at this stage have filed complaints with the California Department of Insurance ("CDI") The CDI released complaint statistics last month that showed it had received relatively few underinsurance complaints. The survey shows that the CDI stats are **not** an indication that fewer people are underinsured in comparison with the 2003 wildfires.

United Policyholders, RB United and Rebuilding Mountain Hearts and Lives commend the California Department of Insurance for the extensive outreach and assistance the agency is providing to wildfire survivors. CDI complaint handlers and staff have spent hundreds of hours providing hands-on post-disaster claims assistance in San Diego and San Bernardino counties.

But despite the fact that 138 respondents reported being underinsured, only 36 (18%) submitted Request for Assistance ("RFA") complaint forms to the CDI. The most common reason given for not complaining to the CDI was that the homeowner is still in negotiation with their insurance company. However almost 25% of people who hadn't filed a complaint hadn't done so because they believed it would do no good, would make matters worse or were afraid of angering their insurance company.

Karen Reimus, who lost her home in a 2003 wildfire and is a leader in relief operations in the San Diego area as Outreach Coordinator for United Policyholders, calls the survey results a "flashback."

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<sup>1</sup> See <http://www.iinc.org/articles/247/1/Majority-of-October-Fire-Insurance-Claims-Resolved/Page1.html>



"Inadequate coverage was the biggest insurance problem for fire victims in 2003 and it is again for the 2007 victims," said Reimus. "When my home was destroyed in 2003, my homeowner's policy was only four months old yet we were dramatically underinsured. I and the vast majority of California homeowners rely on insurance professionals to set policy limits accurately so our most important assets can be replaced if the worst happens."

"Who's to blame? Not homeowners" said Bach. "People's homes are their biggest asset and they don't knowingly leave themselves exposed. The fact is there are financial incentives for insurance companies to underinsure clients so as to limit their exposure when catastrophes hit. Agents set policy limits based on the formulas they get from insurance companies and often rush to close a sale without checking to make sure the limits are adequate. California law is allowing insurance companies to hide behind legalese to avoid responsibility. So, disaster after disaster, underinsurance consistently remains a huge problem."

The survey results are not surprising to United Policyholders. "We have heard many stories about how hard it is to settle after a total loss. The process often takes far longer than is reasonable. We felt we had to survey the fire survivors now to bring attention to the problems they are still facing. We knew how big a problem underinsurance still is; now we have the numbers to back it up and help us in our efforts to solve it," said Reimus.

### **About United Policyholders**

United Policyholders is a national not-for-profit organization dedicated to integrity in the insurance system and to educating the public on insurance issues and consumer rights. UP is providing extensive outreach and support services to property owners who lost homes in fall 2007 wildfires in San Diego and San Bernardino counties. For a complete listing of these services and to access UP's extensive library of buying and claim tips for consumers, please visit [www.uphelp.org](http://www.uphelp.org). UP is the publisher of the *Disaster Recovery Handbook and Household Inventory Guide*. The Guide is known and loved by homeowners throughout the United States as an invaluable "Little Yellow Book."

### **About RB United:**

RB United is one of six long term recovery centers (LTRC) in San Diego County, created by a grant from The San Diego Foundation to aid each fire-impacted community in its recovery process. The other long term recovery centers are Rebuild Escondido, Ramona Fire Recovery Center, Harris Fire Recovery Center, Fallbrook, migrant/farm workers. The mission of these county recovery teams is to provide and coordinate emotional, physical, financial, and spiritual resources to help rebuild the homes and lives of families affected by the San Diego Wildfires of October 2007. Valerie Brown is Project Coordinator.

## **About Rebuilding Mountain Hearts & Lives**

The mission statement of Rebuilding Mountain Hearts and Lives, a non-profit based in Blue Jay, California is to improve the quality of life of all Rim Community mountain residents, especially low-income and disadvantaged individuals/families, those affected by disasters and/or unforeseen circumstances and to provide a model for future disasters. This is accomplished by (1) building a community of support, (2) educating the community, (3) participating in coalitions with other advocates and, (4) continuing to seek new resources and partnerships. Dave Stuart is the Executive Director.