



## NEWS RELEASE

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### **Do You Have Enough Insurance if Disaster Strikes Your Home?**

After devastating wildfires ripped through Boulder County last year, some homeowners were stunned to learn that their insurance policies did not cover everything expected.

“The risk of wildfire is still high, as we’ve seen with recent fires in Larimer and Bent Counties,” said John J. Postolowski, Interim Commissioner of Insurance. “Homeowners are asking us: how do I know if I have enough insurance coverage?”

Before disaster strikes your home is always the best time to review your renters or homeowners policy to be sure the coverage you have matches your expectations.

The amount of coverage and the nature of coverage vary with each homeowners and renters insurance policy. If you have an actual cash value policy, you will be reimbursed for the current cost of the property at the time of the claim, minus the depreciation. The value of depreciation is based on the age and condition of the item. If you have purchased replacement cost coverage, you will be reimbursed for the full value of the replacement item.

Actual cash value is the amount it would take to repair or replace damage to a home and its contents after depreciation. Replacement cost is the amount it would take to replace or rebuild a home or repair damages with materials of similar kind and quality, without deducting for depreciation.

Some insurance companies use automated estimators, using factors such as the type of house, the square footage and the building materials used, to calculate the cost to replace and rebuild a similar home. For custom homes located in hard-to-reach places, including the foothills and mountains, those estimates may not be enough.

“You need to be sure your agent understands any unique features of your home, including the accessibility of the location,” Postolowski said. “For example, it costs more to get a cement truck into the mountains to pour foundation, and lumber and other materials may cost more if they must be delivered outside an urban area. The farther you are from a city, the more it may cost to build the same type of home.”

People may confuse the appraised value of a home, even looking at a number provided by a mortgage lender or a tax assessor, with what it would actually cost to rebuild a home. “Some appraised values tend to be an educated guess at what the home might be worth if you put it on the market – what you might sell it for,” said Postolowski. “That amount may be far less than it would take to rebuild the home to similar standards and replace its contents.” Simply stated, you may be able to buy a home for less than it would cost to rebuild the one you have.

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In addition to the cost of rebuilding, consumers often are surprised by other coverages that may or may not be included in their policy contract:

- On average, home contents are reimbursed only up to 50 percent of the home's insured value, i.e., \$50,000 to replace the contents of a home insured for \$100,000.
- Municipality code upgrades or building requirements may not be covered unless additional coverage is purchased by endorsement.
- Additional Living Expense coverage may be limited to twelve months or 30 percent of your dwelling coverage limit.

"Exactly how much you'll be reimbursed for personal property can vary greatly from policy to policy," says Postolowski. "A home inventory helps consumers determine what they need to protect and keep their policies up to date. Discuss the inventory with your insurance agent every year, so they are aware of any valuables you own that may need a special endorsement." Certain valuables might be better covered with an insurance endorsement or additional policy, depending on the circumstances.

"It's important that consumers understand this distinction," Postolowski said. "In the event of a covered loss, an actual cash value payout could be thousands of dollars lower than a benefit calculated at the replacement cost."

#### **What to do if you and your insurance company disagree:**

After you notify them of a loss, the insurance company will send an adjuster to inspect and estimate damages. You may choose to have an appropriate contractor (roofer, electrician, builder, etc.) on site at the same time as the adjuster.

You also have the option (at your cost) to hire a licensed public adjuster to handle the claim on your behalf and work with the insurance company and contractors.

If you and the insurance company's adjuster agree on the amount of damage and the cause of damage but disagree on the cost to repair the damage; you may have the right to invoke the appraisal clause found in your policy contract. Some insurance companies will allow the appraisal process if you disagree on the cause and/or amount of damage; however, most limit the appraisal process to the value or cost to repair the damage. Contact your insurance agent or the insurance company for details.

For more information, see "[Homeowners Insurance – Understanding the Value of Your Home and Contents](#)" or contact the Colorado Division of Insurance.

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For more information, or to file a complaint on line, go to the Division's website at:

[www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance) and select "[consumer information](#)."

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