

INSURING YOUR MOUNTAIN HOME

Since the Overland Fire last year in Jamestown, homeowners who were burned out have struggled with issues of rebuilding. In June, a couple of LUC members met with several of the homeowners who are now undergoing the arduous process of trying to rebuild their lives and homes after the fire destroyed their homes and possessions.

Boulder County appears to be backing off its pledge to support the homeowners by waiving permit fees, streamlining and speeding up the process of granting building permits to residents who want to rebuild. Initially, they were told, for example, that they would not be required to endure the arduous and expensive Site Plan Review process, which can take literally years to complete, and is prohibitively costly. Nevertheless, the County is requiring compliance with SPR. Several of the fire victims have said that they were greatly underinsured, not just in terms of personal possessions, but with having to cover the expensive costs associated with rebuilding under the County's current stringent building codes. They urged us to encourage people to check their insurance policies and make sure that they're carrying enough coverage, especially in terms of rebuilding to the new (and very costly) code requirements.

In this article, we will focus on fire insurance covering the structure(s) on the land (as opposed to contents), and mention of the important issues facing mountain homeowners obtaining adequate coverage in the event of wildfire devastation. Here are three things you can do to optimize your insurance coverage:

- (1) First of all, insure your home. A number of the Overland homeowners did not have insurance. Shop around for house insurance, and compare coverage. Then, be sure to review your policy with your insurance agent annually, making certain that your coverage is sufficient in light of changing circumstances and rising building costs.
- (2) What kind of coverage do you have, and what is best for your needs? There are 3 methods for insuring the structure (contents needs to be dealt with separately):
 - (a) .Replacement Cost Policy. pays the cost of rebuilding your house. There is usually a specific dollar limit on replacement policy. Most companies use software which keeps pace with current building costs and can determine the amount of insurance needed to keep up with replacement costs for fire damage. You need to stay on top of this however;
 - (b) .Extended Replacement Cost Policy. covers costs up to a certain percentage over the limit (usually 20%). This gives you protection against such things as a sudden increase in construction costs, and, finally
 - (c) .Actual Cash Value.. This might not be adequate coverage since actual value may be quite different from replacement cost. Note that lenders will require you to maintain only enough coverage sufficient to pay off the balance of the mortgage itself.
- (3) Even if you are burned to the ground, insurance companies assume they will not need to compensate for a complete rebuild, since architectural plans, cost of bringing in utilities, engineering, putting in a well, and testing the water have already been done. However, there are other costs of rebuilding: even a house on the same site, using the same specifications as the original may end up costing much more than the estimate if a homeowner desires or is required to, add on, upgrade, or bring up to code the original house. This expense might include such things as fees and costs of obtaining variances, site plan review and compliance with other building ordinances adopted since your house was originally constructed. An allowance for these additional costs and fees can be a part of your coverage, but you need to discuss these with your agent.

Most companies offer Full Replacement costs . but to be compensated you are required to rebuild on the same spot, no matter if a wildfire has burned out you and your neighbors, along with all trees, vegetation and wildlife. Unless your policy provides that the Company pay you cash, and allow you the freedom to build anywhere, this is by no means an automatic provision. You need to consider the appeal of living in a burned.out wasteland without neighbors. It takes years for the land to rejuvenate itself, and erosion is a very real concern after a wildfire has scorched the earth in a mountain community.

Finally, there might be ways to mitigate the cost of insuring your mountain home:

- defensible space around your house,
- fireproof building materials,
- large cisterns,
- nearness of fire dept to your home,
- other sources of water.

Soon, insurance companies will be auditing homeowners in states with high rates of wildfire loss, and adjusting insurance rates based on these factors. Be ready. Be aware that certain insurance terms don't always have the same meaning between the different insurance carriers. Be sure to ask your insurer, what is the difference between a building's replacement cost, guaranteed replacement cost, and full replacement cost with automatic inflation adjustment, and which coverage you have. Now, go find your policy, read the small print, and talk to your insurance agent about what coverage is right for you.

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