

## Frequently Asked Questions About Wildfires

After a wildfire, people may have questions about their insurance coverage. The Insurance Information Institute offers answers to some of these basic questions.

### Homeowners Coverage

*Q. If my house burns down, will my insurance company pay to have it rebuilt?*

**A.** The typical homeowners policy covers damage due to wind, fire and lightning. So if your home has been completely destroyed by a fire or if the roof has been burned, your insurance company will pay to have your home rebuilt or the roof replaced. It will also pay if flames and smoke have damaged any other part of your home.

*Q. I know my homeowners policy covers my house. Does it cover the contents of my home and my garage?*

**A.** Yes. In addition to paying for damage to the dwelling, homeowners policies cover other structures on the premises, such as a garage or tool shed, as well as damage to your furniture, clothes, appliances and other personal possessions up to the limits of your policy.

*Q. My home has been so severely damaged that it is no longer fit to live in. We can live with friends for a week or two, but after that, I don't know where we'll live. How am I going to pay for all these extra expenses?*

**A.** Your homeowners insurance policy will pay the extra expense of living elsewhere -- reasonable costs to maintain your household -- until your home has been repaired or rebuilt. That would include the cost staying in a hotel for a while, and even clothing. Be sure to keep your receipts.

*Q. Most of my personal possessions are ruined. Is there a limit on how much my insurance company will pay for my clothes, furniture and appliances?*

**A.** The contents of your home--your personal possessions--are covered up to the limit set out in the policy, often 50 percent or 75 percent of the amount of coverage you have on your home, depending on the type of policy.

*Q. Why do I need a home inventory, won't my insurance company trust that I know what I have in my home?*

**A.** A home inventory is valuable because it can be very difficult to remember everything that was in the home. A good inventory, if supplemented with photos, video, receipts, model numbers and appraisals, can help the homeowner get a more accurate settlement in less time, in most cases. A copy of the inventory should be kept in secure online storage, a safe, or in a location away from the home.

**Q.** *Much of my furniture and possessions were badly damaged, can I get rid of them if I have a home inventory?*

**A.** A homeowner should not throw things away until an insurance company representative has had a chance to assess the damage and make a claim report.

**Q.** *My home was vandalized after the fire and my new television was stolen, am I covered?*

**A.** Homeowners insurance policies cover theft and vandalism, so any losses due to looting in the wake of the fire would be paid.

**Q.** *Are there many different kinds of personal coverage policies?*

**A.** There are two basic kinds of coverage for contents--replacement cost and actual cash value. Replacement cost coverage pays for the damaged item to be replaced with a new item of similar quality. Actual cash value coverage, which is less expensive to buy, pays an amount equal to the replacement cost, less depreciation. So if a 20-year-old washing machine is damaged and you have replacement coverage, the insurance company would pay for a new washing machine. If you have an actual cash value policy, the insurance company would pay only a small portion of the cost of buying a new machine, because that machine has already been used for 20 years and would only be worth a fraction of its original cost. Replacement cost policies usually have higher limits for personal possessions than actual cash value policies because the cost of replacing all the damaged items is higher.

**Q.** *What about the house itself? Is the structure insured on a replacement cost basis or will I have to pay for a portion of the cost of replacing my seven-year old roof myself?*

**A.** The typical homeowners policy pays for repairs to the dwelling on a replacement cost basis so that regardless of the age of your roof, the insurance company would pay the entire bill, minus your deductible.

**Q.** *If your home is old, has not been modernized, and is only worth a fraction of the cost of replacing it, would the insurance company pay to rebuild it?*

**A.** People who own such homes usually have a special older home insurance policy. This policy will pay for basic repairs. If the dwelling is not rebuilt, the insurance company will pay the lesser of two amounts: the cost of repairs or the market value of the house, minus the land.

*Q. Does my insurance pay for the loss of any trees, shrubs or other plants I lost from the fire?*

**A.** The typical homeowners policy covers trees, shrubs, plants or lawns on the residence for loss caused by fire. Usually insurers will pay up to 5 percent of the limit of liability that applies to the dwelling for all trees, shrubs, plants or lawns. No more than \$500 will be paid for any one tree, shrub or plant. Insurance, however, does not cover property grown for business purposes.

*Q. Does my insurance company pay for the portion of my home that I rent?*

**A.** A homeowners insurance policy covers the fair rental value of premises less any expenses that do not continue while it is not fit to live in.

## **Auto Coverage**

*Q. If my car is destroyed or damaged from the fire, is it covered?*

**A.** If you have comprehensive insurance, your vehicle will be covered for damage or destruction.

*Q. My vehicle was vandalized after the fire?my windshield was smashed?and my golf clubs were stolen from the trunk. Am I covered?*

**A.** If you have comprehensive insurance, your vehicle will be covered for theft or vandalism. So any damage or destruction of the vehicle due to looting in the wake of the fire would be paid. If you have homeowners or renters insurance, your golf clubs would be covered under the personal possessions portion of that policy.

## **Renters Insurance**

*Q. Will my landlord's insurance pay for the damage to my personal possessions?*

**A.** No. Your landlord is only responsible for the damage done to the structure of the building. Damage to your personal possessions is covered only if you have a renters insurance policy.

*Q. Who knows how long it will take for the apartment building to be rebuilt. What do I do in the meantime? How can I afford to stay in a hotel?*

**A.** Renters insurance will pay for any additional living expenses you may incur before you are able to return to your apartment. Most policies will reimburse you the difference between your additional

living expenses and your normal living expenses but still may set limits on the total amount they will pay.

## Condo Insurance

*Q. There is damage to my kitchen cabinets and my clothes as well as the roof and elevator of the building. Just who is responsible?*

**A.** Usually, your own condominium insurance policy provides coverage for your personal possessions, structural improvements to your apartment and additional living expenses.

There is also a "master policy" provided by the condo/co-op board which covers the common areas you share with others in your building like the roof, basement, elevator, boiler and walkways.

Sometimes the association is responsible for insuring the individual condo or co-op units, as they were originally built, including standard fixtures. The individual owner, in this case, is only responsible for alterations to the original structure of the apartment, like remodeling the kitchen or putting in a new bathtub. Sometimes this may include not only improvements you make, but also those made by previous owners.

In other situations, the condo association is responsible only for insuring the bare walls, floor and ceiling. The owner must insure kitchen cabinets, built-in appliances, plumbing, wiring, bathroom fixtures etc. Your association's bylaws and/or property lease will determine who is responsible for what.

If you have unit assessment coverage, it will reimburse you for your share of an assessment charged to all unit owners as a result of windstorm damage. For instance, if there is windstorm damage in the lobby, all the unit owners are charged the cost of repairing the loss.

## Business Insurance

*Q. Will my business be covered for property damage?*

**A.** The typical business owner's policy covers damage due to wind, wind-driven rain and fire. So if your business has been damaged or destroyed by one of these perils, your insurance company will pay to have your business repaired or rebuilt. Flood damage is usually excluded or very limited unless you have purchased flood coverage from the NFIP or a private insurer.

*Q. My business is shut down. Will my insurance cover lost revenue? If so, for how long?*

**A.** Business income, or business interruption, insurance (BI) covers the profits a business would have earned, based on its own financial records, had the disaster not occurred. The policy covers additional operating expenses incurred as a result of the disaster such as the extra expense of operating out of a temporary location, even though business activities have come to a temporary halt.

Reimbursement under business interruption insurance is usually triggered by some kind of damage to

the property where the business is conducted and only when the damage is the result of a covered peril such as fire. Evacuation orders do NOT trigger BI coverage. Acts of "civil authority" which preclude a business from reopening can trigger business interruption coverage if the declaration was the result of a covered peril. Generally, there is a deductible either in a flat dollar amount or a waiting time. If it is a waiting time, it is typically 24 to 72 hours, meaning that payments do not begin until the business has been disrupted for one to three days.

Most business interruption forms do not include coverage for perils such as emergency evacuation by civil authority or a major utility disruption, unless they were added by endorsement. Typically, when business interruption insurance is purchased, the timeframe for coverage is a year. The overall cost of BI is determined by the amount of coverage required during the period specified.

*Q. How am I going to be able to rebuild my business and afford the cost of keeping the business going at another location?*

**A.** If you have business income coverage, it will reimburse you for lost profits and continue fixed expenses during the time that the business must stay closed while the premises are being restored. If you have ordinance or law coverage it will help pay for the extra costs of tearing down the structure and rebuilding it.

*Q. I've had so many extra expenses beyond my normal operating expenses. What am I going to do?*

**A.** If you have extra expense insurance, it will reimburse your company for what it spends, over and above normal operating expenses, to relocate to avoid having to shut down during the restoration period. As with business income insurance, the price of extra expense insurance varies with the industry and the likelihood of disaster-related damage.

## **Life Insurance**

*Q. My wife was killed in the fires. There are so many expenses. Who is going to take care of my children when I go to work?* **A.** Life insurance benefits can be used for any purpose, including paying funeral expenses and child care costs.

*Q. I've been paying for years for life insurance that has a cash value. Can I borrow that cash value or surrender the contract to get at that money? Who can help me with this?* **A.** Borrowing and policy surrender are available. Borrowing would be the preferred choice because the death benefit stays in effect (minus the amount borrowed), but this is a loan that must eventually be repaid. If repayment is unlikely, they're probably better off surrendering the policy for the cash. Ideally, they should discuss this with the agent who sold them the policy, or with someone in the life insurer's customer service division, to place this option in context with other cash-raising options.

## Other Questions

*Q. I don't have a copy of my policy, a home inventory or any documentation. What should I do?*

**A.** Contact your insurance professional as soon as you are able. Your insurance company may send you a claim form known as a "proof of loss form" to complete. Or an adjuster may visit your home first. (An adjuster is a person professionally trained to assess the damage.) In either case, the more information you have about your damaged possessions—a description of the item, approximate date of purchase and what it would cost to replace or repair—the faster your claim generally can be settled.

*Q. Will I need to obtain estimates for the repairs or will the adjuster do this for me?*

**A.** Ask your insurance agent professional about requirements.

*Q. Is there a time limit for filing a claim?*

**A.** Insurance policies generally place a time limit on filing claims which vary from state to state and company to company. Check with your insurer to see what the time limits are.

*Q. What can I do if I am having trouble settling my claim?*

**A.** If you are dissatisfied with how your insurance company is handling your claim, you have several options: talk to the agent or company representative who sold you the policy and let the agent know you are dissatisfied; contact the company claims manager and provide a written explanation of your problem with copies of supporting documentation; contact your state insurance department; consider mediation if you cannot reach an agreement with the company directly.

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