

Session 2:

**DOES YOUR INSURANCE SAFETY NET HAVE HOLES?
HAVE YOU COVERED YOUR ASSETS?**

HOW TO READ YOUR POLICY

ARE YOU FINANCIALLY PROTECTED/OVERPROTECTED?



Presented by the Genesee Fire & Safety Committee

RESOURCES FOR MORE INFORMATION

Colorado Division of Insurance Toolkit (<https://doi.colorado.gov/>)

Glossary of Insurance Terms

FAQs, Insurance Buying Guide, What DOI is doing

United Policyholders (uphelp.org)

Although largely California-specific they also have information about Colorado

Tips on buying and keeping insurance

Making a claim after wildfire loss or damage

Insurance FAQs (rotaryconifer.org)

Rocky Mountain Insurance Information Association (rmiia.org)

**YOUR INSURANCE POLICY IS
MORE THAN WHAT IS ON THE DECLARATIONS PAGE**



***THE DEVIL IS THE DETAILS.
BE SURE YOU ARE COMPARING APPLES TO
APPLES WHEN SHOPPING FOR INSURANCE***

REPLACEMENT COST VS. ACTUAL CASH VALUE POLICIES

Your policy (dwelling and/or personal property coverage) may be written for **replacement value** or **actual cash value**.

- **Actual cash value** policy takes **depreciation** into account when calculating payouts, so
 - Premiums may be lower,
 - But you could be underinsured,
 - You may need more documentation when making a claim.
- **Replacement value** pays the current cost to replace the item that was lost with an equivalent item.

Be sure you understand the difference when making a policy decision.

REPLACEMENT COST OR ACTUAL CASH VALUE

An example:

You need to replace your roof due to hail damage

Replacement Cost will pay the cost to have your roof replaced with the same kind of roof.

- If the building code has changed, Ordinance & Law coverage (discussed later) will pay the difference to meet code.

Actual Cash Value will pay a depreciated cost based on the age and original cost of your roof.

- An identical new roof will cost more than the insurance policy will pay.

Declarations Page:

Coverage A: Dwelling

- Does NOT include the land the house is on.
- If your home is owned by a trust, the trust should be listed as an insured.
- Be sure Coverage A either automatically adjusts for inflation or make the changes yourself periodically.
- Some policies also increase automatically to reflect building code changes that will affect the cost to rebuild (ordinance & law coverage).

Note: Jefferson County has adopted a new wildfire resiliency building code effective July 1, 2026. Your cost to rebuild should reflect the requirements of the new building code and/or you should have ordinance and law coverage.

Declarations Page:

Coverage A: Dwelling

If Coverage A is Replacement Cost:

- It covers the cost to rebuild as estimated by the insurer based on the home characteristics and the location of your house.
- If you plan to rebuild it is recommended that you add an extended replacement cost endorsement to your cost policy that will pay up to a percentage more than your Coverage A if the actual replacement cost is more than Coverage A.
- NOTE: Some insurers offer full replacement cost policies that will cover the actual cost to rebuild.

Declarations Page: Coverage A: Dwelling

If Coverage A is Actual Cash Value:

- it is the cost of repairing or replacing damaged/destroyed property of the same kind/quality *less depreciation*.
- For the total loss of a house, insurers may differ in the basis of their calculations of actual cash value.

Declarations Page: Coverage A: Dwelling

Your insurer has a detailed list of house characteristics. Be sure these are correct; they are used to calculate replacement cost and actual cash value.

Per Colorado law, the insurer must *offer* you a policy with automatic increases due to inflation and changes in building code (ordinance & law coverage). It is up to you whether or not to add these endorsements.

For replacement cost policies, consider adding an extended replacement cost endorsement in case the amount to rebuild exceeds the coverage amount. By Colorado law, your insurer must offer this.

Ask if things like carpeting and appliances are included in the dwelling coverage. That will inform your review of the adequacy of the dwelling and personal property coverage.

A PAPER PUBLISHED BY CU ABOUT THE EXPERIENCE OF MARSHALL FIRE SURVIVERS WHO LOST THEIR HOMES FOUND:

- 74% of homeowners were underinsured for their cost to rebuild by an average value of \$139,000.
- 36% of homeowners were severely underinsured (their coverage was less than 75% of the cost to rebuild).
- The main reason for underinsurance was that the Dwelling A coverage was low. Most residents had extended rebuilding coverage.
- Underinsurance varies markedly across insurers. Insurers with stronger ties to the local area and higher quality scores are less prone to underinsure, suggesting that reputation concerns put upward pressure on coverage limits.

Declarations Page:

Coverage B: Other Structures

- **Other structures** are things that are not attached to the dwelling such as sheds, detached garages and driveways.
- Often insurers will use a percentage of your dwelling coverage as the default value for coverage. Review this value and change it if appropriate.
- You may be paying to insure more than you have (and, therefore, more than you could possibly collect!). You may find there is a minimum % of Coverage A required by the insurer, however.

Declarations Page: Coverage C: Personal Property

- Covers personal items and household goods. Depending on your policy, it may cover things like appliances and carpeting, or these may be covered in your dwelling costs. Check with your insurer.
- The coverage is often based on a default percentage of your dwelling coverage. You should be able to change the amount of coverage (within limits).

IF YOU NEED TO MAKE A CLAIM FOR PERSONAL PROPERTY

Is your policy for replacement value or actual cash value? Because actual cash value takes into account depreciation, compensation will often be less than what it will cost you to replace the item.

What kind of documentation will your insurer require? Will you need to present an inventory of everything that has been lost? If so, start NOW and inventory keep the inventory updated.

Does your policy have sub-limits on any category of personal property and are these sub-limits okay for your needs?

Are there any limitations on the value, for example, of jewelry, art or collectibles, that can be reimbursed without an appraisal? How recent must the appraisal be?

GOOD NEWS

A law passed in Colorado after the Marshall Fire requires insurers to pay you 65% (up from 30%) of your personal property value without requiring an inventory

HOWEVER...

Taking this option means you may leave money on the table

Making an inventory of personal possessions will be discussed by Dan Krygowski at the next session, March 31

Declarations Page:

Coverage D: Lose of Use/Additional Living Expenses (ALE)

- Covers increased living expenses during the time you are rebuilding following an insured loss; or the time it takes you to find and move into a new home if you choose not to rebuild (assuming you have that option)
- 12 months coverage is often the default on policies. *This is not likely to be sufficient where we live if you are rebuilding.* Consider getting the longest period of coverage available. By Colorado law, your insurer has to *offer* you at least 24 months.
- If your policy has a cap on the total amount of coverage, be sure it is adequate to cover rent in this area and the amount of time you will need.

ADDITIONS TO YOUR POLICY THAT THE COLORADO DIVISION OF INSURANCE RECOMMENDS THAT YOU CONSIDER

- Extended replacement cost at 50% of Dwelling Coverage, if concerned about coverage in the event of a total loss.
- Ordinance & Law coverage at 20% of Dwelling Coverage if home is older and your city/locality has updated building code requirements.
- Verify additional living expenses (ALE) coverage amount. If not already included in the policy, consider purchasing 24 months of ALE coverage. Many policies offer only 12 months, but State law requires that the companies offer you 24 months of coverage.
- Floaters/endorsements for personal property that may not be covered to the fullest extent under a standard policy, including, but not limited to: electric bikes, jewelry, fine art/paintings, collectibles, firearms, etc.

IN ADDITION, THE COLORADO DIVISION OF INSURANCE RECOMMENDS SOME ADDITIONAL COVERAGES

- **Service Line Coverage:** This endorsement covers the cost of repairing or replacing damaged utility lines on your property, such as sewer pipes or power lines, which aren't typically covered under standard policies.
- **Water Backup Coverage:** Also known as sewer or sump pump backup coverage, this endorsement covers damages caused by the backup of sewers or drains, or overflows from a sump pump. It's an important addition given that such backups can lead to significant water damage inside your home

IF YOUR HOUSE IS A TOTAL LOSS, WILL YOU REBUILD?

This is an important question because it will affect your choices in policy coverages. First, you need to find out:

- Does your insurance company require you to rebuild? Some do...
- Does your mortgage company, HOA or state require you to rebuild?

If you know you won't rebuild:

- Ask your insurer how they will determine if all or a portion of Dwelling Coverage A will be paid out.
- You don't need to purchase extended replacement coverage and may not need ordinance & law coverage.
- You don't need to extend your ALE beyond 12 months.
- Remember that you will still own the property on which your house is built.

COLORADO FAIR PLAN (coloradofairplan.com)

AN INSURER OF LAST RESORT

From the Colorado FAIR Plan website:

When standard insurance isn't available, we're here to provide limited coverage options. The Colorado FAIR Plan provides property coverage for Colorado properties at extreme risk of natural disaster. It should be considered a last resort after exploring all traditional insurance options.

Limitations of the FAIR PLAN

- Must show evidence that 3 admitted insurance companies have denied coverage.
- Cap of \$750,000 covering both dwelling and personal property (assuming personal property coverage is selected).
- Payment of claims based on Actual Cash Value, not replacement value.
- Additional coverage will need to be purchased for other perils like hailstorms and wind.

THE WUI WILDFIRE RESILIENCY CODE

THE INSURANCE INDUSTRY IS LOOKING AT HOW SERIOUSLY STATES, COUNTIES/CITIES AND COMMUNITIES TAKE THEIR WILDFIRE RISK

In July, 2025, Colorado adopted a Wildland Urban Interface (WUI) Wildfire Resiliency Code.

Local jurisdictions (like Jeffco) must have building codes at least as strict as the State Code in place by July 1, 2026.

The Jeffco Wildfire Resiliency Building Code was approved by the County Board of Commissioners at their March 10 meeting.

THE WUI WILDFIRE RESILIENCY CODE

What Does It Mean For Genesee?

The new building code, effective July 1, will apply to new construction. It means that should you have to rebuild your house, the new code will apply and likely add to the cost to rebuild. To protect yourself and not be underinsured, consider:

- Ordinance and Law Coverage
- Extended rebuilding cost coverage for if/when rebuilding costs exceed the amount of coverage A

THE WUI WILDFIRE RESILIENCY CODE

What Does It Mean For Genesee?

If you make alterations to the exterior of your house after July 1, 2026, (e.g., roofing, siding, additions, decks), the new building code will apply to that work.

Depending on the work that is done, you may also be required to implement Zone 1 and Zone 2 mitigation (trees and other vegetation).

- Roof replacement will not require Zone 1 and 2 mitigation
- An addition or deck will require Zone 1 and 2 mitigation
- Replacing >25% of the siding will require Zone 1 mitigation

KEY TAKE AWAYS FROM TONIGHT'S PRESENTATION

- Too many homeowners who lose their homes in a wildfire find that they are underinsured.
- The **devil** is in the details of your policy.
- If you are insured for actual cash value, consider changing to replacement value. Actual cash value policies may be less expensive, but think realistically about whether you adequately protected and/or are able to afford more cash out of pocket.
- Be sure the provisions of your policy are right for you. If you know now that you will not rebuild, you should reconsider some of your coverages (extended rebuilding cost, alternate living expenses, law and ordinance).
- Understand what documentation your insurer will require for personal property claims and be sure that documentation is stored off-site.

THERE IS ONE MORE PRESENTATION IN THIS SERIES

Tuesday, March 31 at 7 pm: **Preparing for the Future.**

- Tips for creating an inventory of personal property.
- What is the insurance industry looking at going forward?
- What are the county and state doing?
- Thinking of selling your house?
- Introduction to being a fire-adapted community.

***All presentations, as well as the slides,
are recorded and available on the
Genesee Foundation website, Fire & Safety section.***