



COLORADO

Department of
Regulatory Agencies

Division of Insurance

Marshall Fire Response - Frequently Asked Questions

UNDERINSURANCE

We are aware that many homeowners impacted by the Marshall fire are concerned that they may not be fully insured for partial or total losses. That is commonly referred to as “underinsurance.” Underinsurance can result from a variety of factors, and may be exacerbated by external circumstances, such as local escalations in building and material costs, increased state and local requirements, and the increasing prevalence of natural disasters over larger geographic areas. However, if you suspect or know that you are currently underinsured, you can *still take action* to maximize your existing benefits, and *apply for resources* that may be available to fill in some of the shortfalls between your insurance coverage and the costs of replacing your home.

As with any insurance-related loss or claim, the first and most important step is to start the claims process with your company. As part of initiating the claim, you should review your policy to determine what the coverage amounts available to you are. Your policy will only pay up to the limits on the declarations page of your policy if that is the amount needed to rebuild your home, plus the additional amounts under the policy *if* you purchased extended replacement cost and/or law and ordinance coverage. Ask your insurance company for an estimate of the coverage available to you to help you understand if your home was underinsured. Pay particular attention to:

- Does my policy include **extended replacement-cost coverage**?
 - Extended replacement-cost coverage pays an amount (usually a percentage of the Coverage A - Structure limit) to replace a damaged structure under current building conditions, such as local construction costs including labor and materials at prevailing market rates. State law requires insurance companies, when offering or renewing a policy, to *offer* extended replacement coverage of at least 20% above the limit of insurance (Coverage A) as an option for the policyholder, for an additional premium.
- Does my policy include **law and ordinance coverage**?
 - Law and ordinance coverage includes coverage for increased costs for demolition, construction, renovation and repair associated with updates in building code and other local requirements. Colorado law requires insurance companies, when offering or renewing a policy, to *offer* law and ordinance coverage of 10% of the limit for the structure (Coverage A) at the time they issue or renew a policy, but a policyholder would have to purchase this coverage for an additional premium at that time.

If your policy does not contain these provisions, or if you think you may be underinsured even with them, there are still actions you can take. If your home is ultimately underinsured, the Federal Emergency Management Agency (FEMA) [Individual Assistance Program](#) may provide assistance when your insurance recovery is exhausted. In addition, the U.S. Small Business Administration (SBA) offers disaster assistance, in the form of low-interest, long-term loans, to homeowners, renters, businesses, and nonprofit organizations. Please note, there are deadlines for applying for a SBA loan. The deadline for a SBA disaster loan for physical damage is March 1, 2022, and the SBA recommends not waiting for an insurance settlement or determination to make an application. Information on SBA



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Disaster Loans available to Coloradans impacted by the Marshall Fire and Straight-Line Winds is available in the following Fact Sheets:

- [U.S. Small Business Administration Fact Sheet - Disaster Loans](#) (English)
- [Hoja de Datos De La Agencia Federal Para El Desarrollo de la Pequeña Empresa Préstamos Para Desastres](#) (En Español)

Community assistance may also be available, through organizations such as the Community Foundation of Boulder's [Boulder County Wildfire Fund](#). We encourage you to contact the Boulder County Chapter of the Colorado Voluntary Organizations Active in Disaster, and visit their [Marshall Fire Response and Recovery](#) website for other possible resources.

Below are the of types issues and questions we've received from impacted homeowners related to underinsurance:

- **We've received a number of questions about homeowners potentially being underinsured and whether insurance companies will be required to pay the current rebuild costs? What are the options for individual policyholders?**

The most important step right now for homeowners is to start the claims process with their insurance company. It is important not to let concerns about underinsurance stop you from initiating the claims process. Your policy will pay up to the limits shown on the policy's declarations page if that is the amount needed to rebuild your home, plus the additional amounts under the policy *if* extended replacement cost and/or law and ordinance coverage was purchased. Ask your insurance company for an estimate of the coverage available to you to help you understand if your home was underinsured. If your home is ultimately underinsured, the Federal Emergency Management Agency (FEMA) [Individual Assistance Program](#) and the Small Business Administration's (SBA) [Disaster Loan Assistance](#) (see Colorado-specific Fact Sheets in [English](#) and [Spanish](#)) may provide assistance when insurance recovery is exhausted.

- **Will insurance companies' policies cover the replacement value of homes given that the homes have appreciated in value, but the policies may not have changed for a long period of time?**

The cost to rebuild your home is not the same as the value of your home before the fire. A home's market value includes the land the home sits on and the location of the home, while the cost to rebuild your home will reflect the cost of the labor and materials to rebuild your home. The most your company will pay are the amounts listed on the declarations page of the policy, with additions for extended replacement cost and law and ordinance coverage if they were purchased and are included in the insurance policy. Ask your insurance company for an estimate of the coverage available to you to help you understand if your home was underinsured. If your home is ultimately underinsured, the Federal Emergency Management Agency (FEMA) [Individual Assistance Program](#) and the Small Business Administration's (SBA) [Disaster Loan Assistance](#) (see Colorado-specific Fact Sheets in [English](#) and [Spanish](#)) may provide assistance when insurance recovery is exhausted.



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- **What can I do if the insurance limit for rebuilding does not match the cost to rebuild at the current rates?**

We are aware of the underinsurance concerns many folks are experiencing. If your home is ultimately underinsured, the Federal Emergency Management Agency (FEMA) [Individual Assistance Program](#) and the Small Business Administration's (SBA) [Disaster Loan Assistance](#) (see Colorado-specific Fact Sheets in [English](#) and [Spanish](#)) may provide assistance when insurance recovery is exhausted. The Division will continuously update this answer with any additional resources that may become available.

- **Can you explain the difference in Market Value vs. Rebuild Cost (Dwelling Coverage + Dwelling Extension)?**

Market value is the sale price which includes land value. Land value is not a part of your homeowner insurance policy coverage. The cost to rebuild your home will reflect the cost of the labor and materials for the rebuild. Dwelling and dwelling extended replacement cost coverages (Coverage A - Structure) are the policy limits that are used to repair or rebuild your home. You will also have coverage for other structures on the property such as your fence, shed or detached garage (Coverage B - Other Structures) and there may be coverages within the policy contract, subject to specified limits, for trees and other landscaping.