

HESPERIAN *Wealth*

Insuring Your Home Against Wildfire

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Founder, CERTIFIED FINANCIAL PLANNER™

Based in Folsom, CA, serving the nation virtually

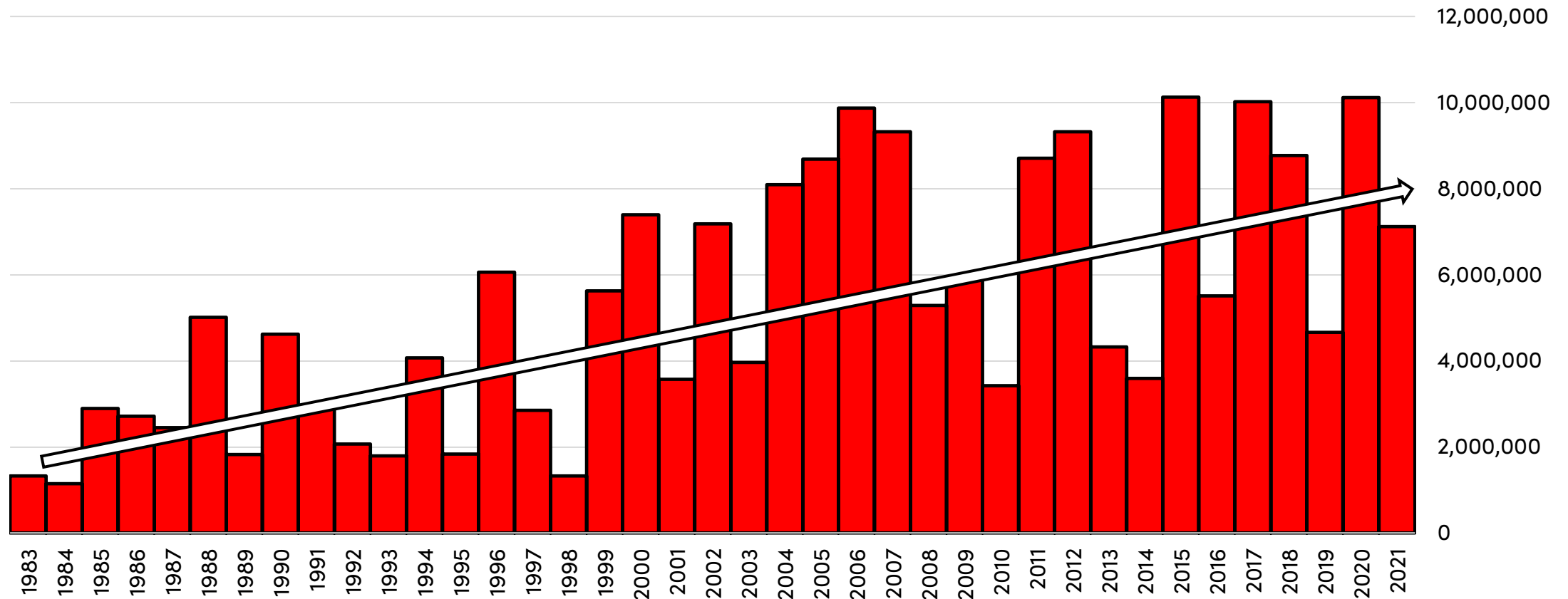
Fee-only and independent

Special Expertise: Impact Investing, Values-Based Investing, Gen X/Gen Y, College Planning, Insurance Planning



Wildfire Risk Is Increasing

Acres Burned in Wildfires by Year



Fire Season Is Here

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- You may be underinsured and not even know it.
- According to surveys by United Policyholders, as many as ***two-thirds*** of wildfire victims are underinsured.
- In one fire, the average underinsurance amount was \$300,000.
- The time to prepare is before a fire strikes.

After this event, you'll know ...

- How to read your home insurance policy
- How to determine what coverage you actually need
- How to compare home insurance quotes apples to apples
- How to prepare for a wildfire catastrophe
- A list of helpful resources

The background of the slide is a light green architectural blueprint. It features a complex grid of lines, circles, and various geometric shapes, representing a detailed floor plan or technical drawing. The lines are thin and light green, creating a subtle, professional texture behind the text.

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Reading Your Policy

The Declarations Page

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Coverages and Limits of Liability

Property Coverage Section

- Coverage A – Dwelling
- Coverage B – Other Structures
- Coverage C – Personal Property
- Coverage D – Loss of Use

Liability Coverage Section

- Coverage E – Personal Liability - Bodily Injury and Property Damage (each occurrence)
- Coverage F – Medical Payments to Others (each person)

Deductibles

Peril Deductible

Property Coverage Deductible (All Perils)

In case of loss under the Property Coverage Section, only that part of the loss over the applicable deductible will be paid (up to the coverage limit that applies).

Limit

\$358,000

\$35,800

\$218,400

\$156,000

Limit

\$500,000

\$2,000

Deductible

\$1,000

A. Important number because many other coverage levels are based on this.

B. Ex: detached garage; usually 10% of Coverage A

C. Usually some percentage of Coverage A

D. AKA ALE or Additional Living Expenses—This compensates you so you can find living quarters during recovery

E. If this is too low, you may be exposed from a liability perspective; an umbrella policy on top of this may be appropriate

F. This is a bit lower than is typical; can cover residence employees

What you pay out of pocket before a claim pays out

The Perils of Perils

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BASIC-NAMED PERILS

Fire	Lightning	Theft	Damage from Aircraft
Smoke	Hail	Vandalism	Riots and Civil Commotion
Explosions	Windstorm	Damage from Vehicles	Volcanic Eruption

BROAD-BASED PERILS — Basic plus:

Falling Objects	Damage from Certain Home Systems or Appliances
Water or Steam Discharge	Freezing of Certain Household Systems or Appliances
Weight of Ice and Snow	Artificial Electrical Surges

ALL aka OPEN PERILS — Includes Basic and Broad-Based Perils:

Covers any risk not specifically excluded.

 **YOU WANT THIS**

What About Other Risks?

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- Earthquake and flood coverage are excluded from standard policies
- Do you need coverage?
- Visit Hazard Hub's website for a free property assessment:

<https://freehomerisk.com/>

Fault Earthquake

Less than 1 Mile to Known Earthquake Fault

D

Designated Fault

Not in USGS Designated Eastern Fault Zone

A

Earthquake

Light Damage

B

Radon

Predicted average indoor radon screening levels from 2 to 4 pCi/L

C

Volcano

Low

B

Fire Protection Class

Within Municipality & > 1 & <= 2 Drive Miles from Fire Station

B

Wildfire

Very High

F

Drought

Severe Drought - greatly increases the risk of wildfire at this location

D

Fire Hydrants

> 1,000 feet AND <= 1,500 feet from Reported Hydrant

C

Enhanced Wind Params

Very Low

A

Enhanced Hail Params

Very Low

A

Enhanced Tornado Params

A

Endorsements

Optional Coverages and Packages

Optional Coverages

	Endorsement	Limit	Premium
Workers' Compensation Residence Employees	HQ-090 CA (05-17)		\$10.00
Water Back Up and Sump Discharge or Overflow Coverage	HQ-208 CW (08-20)	\$5,000	Included*
Wildfire Defense Services	HQ-710 CA (05-17)		Included*

Optional Packages

Enhanced Security Package

	Endorsement	Limit	Premium
Identity Fraud Expense Reimbursement Coverage	HQ-455 CW (08-20)	\$25,000	\$29.00
Lock Replacement Coverage	HQ-851 CW (05-17)	\$500	
Reward Coverage	HQ-852 CW (05-17)	\$1,000	
Personal Records and Data Replacement	Increased Limit	\$5,000	

Additional Coverage Package

Special Personal Property Coverage	HQ-015 CW (05-17)		Included*
Personal Injury Coverage	HQ-082 CW (02-19)		
Personal Property Replacement Cost Loss Settlement	HQ-290 CA (04-20)		



Ex: brush removal. The insurer will pay for this if your home comes under imminent threat.



Without this, personal property is covered at its depreciated value not replacement cost

Limits & Add'l. Coverages

Personal Property – Special Limits of Liability	Limit
a. Money, bank notes, coins, stored value cards	\$1,000
b. Securities, accounts, passports, tickets, stamps	\$3,500
c. Comic books and trading cards	\$2,500
d. Collectibles, figurines, glassware, marble, porcelains, statuary	\$2,500
e. Theft, misplacing or losing of jewelry, watches, precious stone	\$3,000
f. Theft, misplacing or losing of furs	\$3,000
g. Theft, misplacing or losing of silverware, goldware, pewterware	\$5,000
h. Theft, misplacing or losing of firearms and related equipment	\$5,000
i. Theft of tools and their accessories	\$2,500
j. Theft of rugs, tapestries and wall hangings	\$2,500
k. Business property on the residence premises	\$10,000
l. Business property away from the residence premises	\$5,000
m. Trailers or semitrailers not used with watercraft	\$3,500
n. Motor vehicle parts or equipment not attached to motor vehicle	\$1,000
o. Electronic apparatus while in or upon a motor vehicle or watercraft	\$3,500

The Special Limits of Liability do not increase your Coverage C – Personal Property Limit.

Note the significant limitations on some property; you'll need endorsements or separate coverage for some valuable items

Property – Additional Coverages	Limit
Debris Removal (Additional % of damaged covered property limit)	5%
Tree Removal	Per Tree \$500 Per Loss \$1,000
Trees, Shrubs and Other Plants (5% of Coverage A - Dwelling Limit)	Per Tree \$500 Per Loss \$17,900
Fire Department Service Charge	\$1,000
Credit Card, Fund Transfer, Forgery and Counterfeit Money	\$10,000
Loss Assessment	Pkg
Landlord Furnishings	\$2,500
Ordinance or Law (25% of Coverage A - Dwelling Limit)	\$89,500

Code upgrades are typically excluded but required for rebuilding; look for this, especially if your home is older

Dwelling Coverages

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ACTUAL CASH VALUE COVERAGE for either a total or partial loss to the structure or its contents pays the amount it would cost you to repair, rebuild, or replace the thing lost or injured, less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. A deduction for physical depreciation applies only to components of a structure that are normally subject to repair and replacement during the useful life of that structure.



You want to avoid this

REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling, without a deduction for physical depreciation. Many policies pay only the dwelling's actual cash value until the insured has actually begun or completed repairs or reconstruction on the dwelling. Coverage only pays for replacement costs up to the limits specified in your policy.



The next-best thing, but you rely on the insurer's estimates; make sure to take any extended coverage into account

EXTENDED REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling without a deduction for physical depreciation. Many policies pay only the dwelling's actual cash value until the insured has actually begun or completed repairs or reconstruction on the dwelling. Extended Replacement Cost provides additional coverage above the dwelling limits up to a stated percentage or specific dollar amount. See your policy for the additional coverage that applies.

GUARANTEED REPLACEMENT COST COVERAGE covers the full cost to repair or replace the damaged or destroyed dwelling for a covered peril regardless of the dwelling limits shown on the policy declarations page.



Ideal, but expensive

BUILDING CODE UPGRADE COVERAGE, also called Ordinance and Law coverage, covers additional costs to repair or replace a dwelling to comply with the building codes and zoning laws in effect at the time of loss or rebuilding. These costs may otherwise be excluded by your policy. Meeting current building code requirements can add significant costs to rebuilding your home. Refer to your policy or endorsement for the specific coverage provided and coverage limits that apply.

Are *You* Underinsured?

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- It depends on how your insurer estimates replacement cost and updates your policy over time
- The longer you've held your policy, the greater the chance
- After periods of high inflation and/or home appreciation, your coverage may become inadequate
- Your home is ~20+ years old and you don't have code upgrade coverage

True Insurance-to-Value

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- An insurance agent can help, but you will want a disinterested party to assess your home
- You can DIY it, but it can be complicated
- There is an online replacement cost estimate service for \$25:



e2value's Pronto:

<https://e2value.com/pronto/>

Compare the Insurer's Estimate

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Reconstruction Cost Estimate Details

Labor, Materials, and Supplies:	\$269,241	
Demolition and Debris Removal:	\$14,443	
Overhead and Profit:	\$57,178	
Permits and Architects Plans including General Conditions:	\$16,650	
TOTAL ESTIMATED RECONSTRUCTION COST INCLUDING DEBRIS REMOVAL:	\$357,512	Cost Data As Of 08/21

CURRENT vs. INDEPENDENT EST.

Policy:	\$358,000
- e2value Est.:	\$457,000
Underinsured:	(\$99,000)

Replacement Cost Analysis:

Final RCV inclusive of Debris removal (Rounded)*:	\$457,000
Debris Removal (Rounded)*:	\$22,000
Replacement Cost (Rounded)*:	\$435,000
Estimator Date:	4/11/2022

Breakdown of Replacement Cost:

Architect's Fees and Permits (Rounded)*:	\$35,000
House Materials and Labor (Rounded)*:	\$312,000
Overhead (Rounded)*:	\$44,000
Profit (Rounded)*:	\$44,000
Replacement Cost WITHOUT Debris Removal (Rounded)*:	<u>\$435,000</u>

This home is significantly underinsured.

What Are We Looking For?

- \$500,000 to \$550,000 in coverage
- No estimate is perfect; leave some wiggle room
- Err on the upside, buy as much coverage as you can afford
- There's little downside to being a bit overinsured

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**Now We're Ready to
Shop Quotes**

Comparison Worksheet

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Policy Language	Current Policy	Updated Policy w/Endorsement	Carrier Two	Carrier Three
Coverage A	\$358,000	\$358,000		
Replacement Cost Extension - \$	\$0	x 50% = \$179,000		
Total Payout (excluding Code Upgrades)	\$358,000	\$537,000		
Insurance to Value	\$457,000	\$457,000		
(UNCOVERED LOSS) / OVERINSURANCE	(\$99,000)	\$80,000		
Rebuilding to Code - \$	\$89,500	\$89,500		
Highest Possible Payout	\$537,000	\$626,500		
Possible Earthquake or Flood Financial Impact	(\$457,000)	(\$457,000)		
Deductible	\$1,000	\$2,500	\$	\$
Premium	\$	\$	\$	\$

Special thanks to Todd Rissel and e2value for allowing us to share this worksheet; modifications are Hesperian Wealth's

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Prepare for the Worst

Inventory Your Home

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- Receipts are great if you have them
- Take pictures or videos of your home and all personal property
- Save with digitized copies of all your important financial documents in the cloud

<https://www.fema.gov/emergency-financial-first-aid-kit>

Evacuation Plan

- Prepare a family escape plan
- Put together a Disaster Kit
- Put together an emergency go-bag

Check out: <https://www.ready.gov/kit>

Wildfire Mitigation

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- Reduce the fire risks around your home
- Call your local fire dept. to see whether there is a local program in place
- United Policyholders' Wildfire Risk Reduction and Prevention initiative (WRAP) provides a list of other wildfire mitigation measures

Check out: <https://uphelp.org/advocacy/wrap-initiative/>

Review of Resources

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United Policyholders: <https://uphelp.org/>

Free Home Risk Report: <https://freehomerisk.com/>

Pronto: <https://e2value.com/pronto/>

FEMA: <https://www.fema.gov/emergency-financial-first-aid-kit>

Ready.gov: <https://www.ready.gov/kit>

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Coverage A				
Replacement Cost Extension - \$				
Total Payout (excluding Code Upgrades)				
Insurance to Value				
(UNCOVERED LOSS) / OVERINSURANCE				
Rebuilding to Code - \$				
Highest Possible Payout				
Possible Earthquake or Flood Financial Impact				
Deductible				
Premium				

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