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Ordeal of rebuilding

Homeowners, insurers face costly accounting process

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Jerry Rothgeb couldn't believe the response after submitting an insurance claim for sewing materials destroyed after a wildfire turned his Loomis home into a pile of charred rubble.

His carrier wanted to know what color thread was on the spool and how much thread was left on each one.

Rebecca Houston did a double-take after her insurer asked how much paprika was left in a spice jar before a Los Angeles-area inferno destroyed her cabin.

"It's horrible when you lose everything," said Rothgeb, a custom home builder. "It's very difficult -- the whole settlement process. It's an adversarial relationship."

Now done with the unenviable task, Rothgeb, Houston and other past wildfire victims painted a picture of what lies ahead for those in South Lake Tahoe who lost homes last week in the Angora fire.

The picture serves as a warning to all homeowners. As emotionally devastating as it is to lose a residence or to walk in its charred remains, survivors will plumb the depths of their energy, emotions and resources on the impending journey, say those who have lived through it.

It can take years to rebuild lives and homes.

"The emotional toll is strong. It's really hard to make decisions," said Rothgeb, who lost a barn, cottage and his 4,580-square-foot home in a 500-acre wildfire in south Placer County five years ago.

Consumer activists warn Tahoe homeowners to brace for a sometimes contentious claims process. One of the worst wildfires to strike the popular Tahoe resort community, the Angora blaze destroyed more than 250 homes and caused more than $140 million in property damage.

Insurance companies spent the week handling numerous claims and issuing emergency checks for policyholders to buy clothing and food and find temporary housing.

"This is going to be a very difficult time for the people affected by the fire," said Roger Wildermuth, a spokesman for USAA insurance. "We'll be there to work through this process with them as quickly as possible."

While insurers are quick to provide customers with temporary housing, living expenses and other emergency needs, past wildfire victims said that the relationship becomes less accommodating as the focus turns to replacing the personal items and rebuilding the house.

"Initially, they're very friendly and right there. You have to take that with a grain of salt," said Nancy Kessler, who lost her 1,400-square-foot home in the 1991 Oakland Hills fire, which leveled 3,200 structures, killed 25 people and cost insurers $1.7 billion.

"Everyone up here has to fight with their insurance companies to get reasonable settlements," Kessler said. "It took us a year. You're so wiped out just dealing with everything."

While every case is different, contentious disputes commonly surface with more complex claims, especially those involving older buildings and custom homes with unique architecture, special building materials or other unusual features.

If there are no building plans available, homeowners are left scrambling to create the designs anew. Insurers, too, come up with their own numbers and computer-generated construction drawings.

At the same time, homeowners face the mind-numbing job of compiling an exhaustive inventory list of every item in the house -- from the large pricey big-screen television system to the small inexpensive toothbrush.

Insurers will want detail as well, from the number of spoons in the kitchen drawer to the appraisal of grandma's gold pendant. Were the jeans Levi's or Wrangler? How old were the drapes? Were the ceiling beams 6 by 12 inches or 8 by 14 inches? Without receipts or other documents, consumers must justify the value and ownership of each item.

"Every penny counts. Most people have 15,000 items of less than $2 (value)," said Houston, a Pasadena writer and former television producer in Sacramento. Her cabin was among some 400 homes wiped out in an October 2003 wildfire in the San Bernardino Mountains.

Houston, who spent a year negotiating with her insurer, compiled her inventory list by mentally going through each room, trying to visualize every spatula, bandage, book or piece of jewelry she owned. She asked friends and relatives to look for any photographs showing the interior or exterior of her home.

Houston took her time working up her lists. "The insurance company will pressure you (to settle). They are trying to keep their losses at a minimum," she said.

In the end, Houston and others say, homeowners often are surprised to learn their claims exceeded the financial limits in the insurance policy.

Amy Bach, a consumer activist and co-founder of United Policyholders in San Francisco, said it is more common than one would expect to find that a homeowner is underinsured for either living expenses, rebuilding or personal items.

"We call it a plague. Every single disaster we have worked on in the last 16 years, almost everybody that had a total loss has been underinsured in at least one category," Bach said.

The blame, experts say, rests upon everyone: Cost-conscious consumers try to keep premiums down and skimp on coverage. Agents press to close sales, and insurers watch their bottom lines. Shareholders pressure the companies to grow profits.

"When people buy insurance, they look for the lowest price or the brand name. They don't really understand their contract," said Martin Grace, an insurance expert at Georgia State University in Atlanta. "They don't really think about it (coverage) until something happens."

In a recent survey by the National Association of Insurance Commissioners, roughly 10 percent of homeowners didn't know what insurance coverage they had.

Years ago, insurers touted policies that guaranteed full replacement of destroyed homes no matter the cost. But the costly Oakland Hills disaster prompted insurers to revamp homeowner policies. Since 1990, wildfires have cost California insurers more than $4.7 billion in losses.

Today, the most common policy covers replacement and repairs up to a set dollar limit with an additional percentage paid above the cap, often 20 percent to 50 percent.

Insurers, consumer groups say, are scrutinizing claims more closely, reviewing requests with policyholders line by line in some cases.

"Companies have a responsibility to treat their customers fairly," said Sam Sorich, president of the Association of California Insurance Companies. "At the same time, some people will try to take advantage of the situation. Companies have a responsibility (to verify) what is being requested by the customer is legitimate."

Gordon Scott, president of San Francisco-based Greenspan Co./Adjusters International, agreed that the insurer has the right to question claims. But the process can wear down homeowners already under stress.

"On major losses, you have significant financial negotiations. They (insurers) have to be convinced on what they owe. It can become contentious," said Scott, whose company represents consumers on insurance claims.

Like any negotiations, the insurer's initial offer often comes in lower than expected, consumers say.

Houston recalled a neighbor who received an offer based on construction estimates for building plans that left out all the windows and doors.

"It's a multibillion-dollar business," she said. "It's part of a game."

Rothgeb hired a consultant and an attorney to help him negotiate with his carrier. But after 2 1/2 years of constant meetings and living in a mobile home, he called it quits, agreeing to settle for 10 percent to 15 percent less than what he sought. He is now rebuilding his cottage but has put off rebuilding his home.

His advice to Angora fire victims: "Get as much as you can as soon as you can. Then go on."

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