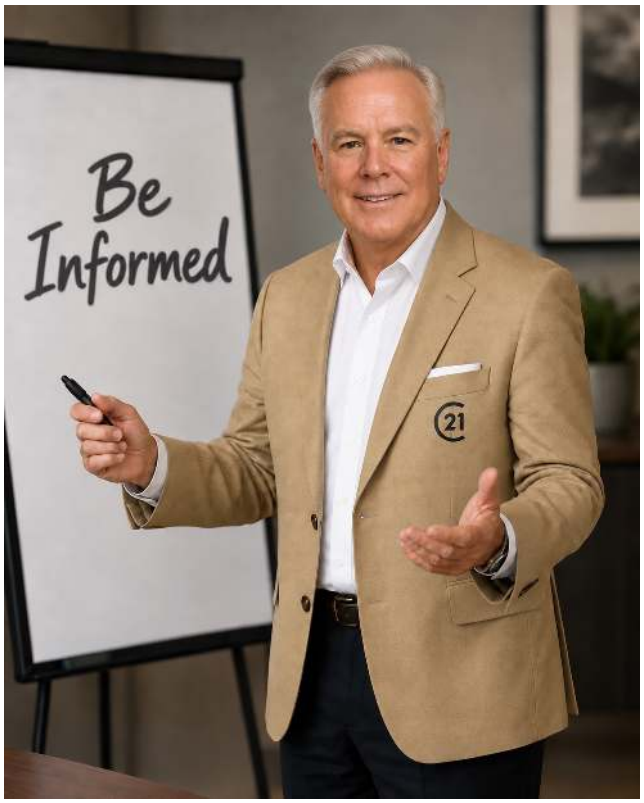
MISC

Fire Damage And Policy Coverage



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Original National Association of REALTORS® publication follows.
Prepared for you by Bob Latigona | CENTURY 21 Alliance

NATIONAL ASSOCIATION OF REALTORS®

CONSUMER GUIDE: FIRE DAMAGE AND POLICY COVERAGE

The REALTORS® Relief Foundation is accepting support for victims of the devastating January 2025 California wildfires. Text RRFCAStrong to 71777 or visit rrf.realtor to make a donation by 1/31/25 to ensure 100% of your donation is earmarked for wildfire victims.

Most homeowners insurance policies cover fire and smoke damage, but some insurers may limit or not offer coverage if your risk is higher. You should contact an insurance agent or broker if you need separate fire insurance or have questions. An agent who is a REALTOR® can help connect you. Depending on where you live, your property may have varying degrees of risk of sustaining damage from a wildfire. Even if you aren't in a high-risk area, you should fully understand your insurance coverage in the event of a fire. Here's what you need to know:

Does my homeowners insurance cover wildfire damage? Standard homeowners insurance typically covers the structure of your home, other structures on your property (like a detached garage or shed), and your personal belongings in the event of fire damage. This includes fires caused by candles, grease, electrical malfunctions (e.g., faulty wiring), wildfires, and lightning. However, a standard policy may not cover all fire damage, including damage caused by nuclear hazards, arson, poor maintenance, or regular wear and tear. Please contact your insurance agent if you have questions.

What if my policy doesn't cover fire damage, or I cannot obtain coverage due to wildfires? Similar to flood insurance, some private insurance companies may exclude or not provide insurance coverage in high-risk areas. It is important to shop around as some insurers may have more risk tolerance than others. For example, some insurers may be "non-admitted," meaning it is not licensed by the state but can still legally provide coverage, including for "difference in conditions" to help address any coverage gaps. These "surplus lines" brokers specialize in risks that admitted carriers will not cover. However, while offering specialized coverage, these companies are subject to different regulations and don't participate in state insurance guaranty funds which protect against insolvency, so it's important to ask questions and read the fine print.

To find a surplus lines broker, you may contact your state insurance department or your current insurance agent who may be able to refer you to a surplus lines broker who specializes in your specific needs.

What do I do if my home is deemed ineligible for fire damage coverage? Some insurance companies may not cover damage caused by a fire if they consider your area to be too high-risk based on fire maps or risk scores. If your insurance company deems your home to be in a high-risk area, there are some things you can do to help manage the costs. This includes contacting an insurance professional to discuss your insurance cost and needs, gathering and comparing quotes from multiple insurers, including surplus lines, and obtaining a wildfire-prepared certification from an organization like the Institute for Building & Home Safety. You may also contact your state insurance commissioner who regulates the insurance companies in your state and may have additional information about fire insurance and risk maps.

What is a "FAIR" plan? If fire insurance is not covered in your policy, you may consider purchasing a Fair Access to Insurance Requirements ("FAIR") insurance policy. FAIR insurance plans are available in many states and are intended to protect high-risk homes that don't qualify for certain types of insurance on the private market. While FAIR plans are typically more expensive and have limited protections compared to private insurance, they can serve as a crucial safety net for those who can't find insurance elsewhere.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.

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