

## 67% of Marshall Fire Victims were Underinsured

Only about 8% of the homeowners who lost their homes in the Marshall Fire in December had guaranteed replacement insurance coverage, and the other homes were underinsured by hundreds of thousands of dollars, according to a preliminary audit done by the Colorado Division of Insurance. The analysis done by the DOI was based off claims provided by 61 insurance companies and 951 of the 1,084 homes that were deemed total losses in the fire and straight-line wind event. Thus far, for the 951 homes, there have been about \$1.02 billion in claims incurred. Among the 951 homes, only 76 had guaranteed replacement coverage, or about 8%. That type of coverage covers the full replacement of a home with a similar footprint and quality as the prior home without a cap. But the rest of the 92% of homeowners were underinsured, according to the analysis, which looked at underinsurance estimates based off rebuilding costs of \$250, \$300, and \$350 per square foot.

Out of the 92% of homeowners who did not have guaranteed replacement coverage, 83% had policies with extended benefits, meaning they provided some additional coverage if rebuilding costs exceed their policy limits. The remaining 9% did not have extended benefits, according to the DOI. Based off the three rebuilding cost estimates of \$250, \$300, or \$350 per square foot, the DOI's analysis looked at the percentage of people who are underinsured based off each cost estimate; the average amount each home was underinsured based off the cost estimates; the estimated total underinsurance figure for the 951 homes; and the total estimate for underinsurance of all 1,084 homes.

**Number of underinsured homes** - Of the 951 policies that were analyzed, the number of underinsured homeowners breaks down as follows:

- At \$250/sq. foot – 344 policies (36%) are underinsured
- At \$300/sq. foot – 523 policies (55%) are underinsured
- At \$350/sq. foot – 639 policies (67%) are underinsured

**Average underinsurance per policy** - Out of the 951 policies, the average amount of underinsurance based off rebuilding estimates are:

- At \$250/sq. foot out of 344 policies, the average policy is underinsured by an estimated \$98,967
- At \$300/sq. foot out of 523 policies, the average policy is underinsured by an estimated \$164,855
- At \$350/sq. foot out of 639 policies, the average policy is underinsured by an estimated \$242,670

**Total estimated underinsurance for 951 policies**

- At \$250/sq. foot, the estimated total underinsurance is \$34 million
- At \$300/sq. foot, the estimated total underinsurance is \$86 million
- At \$350/sq. foot, the estimated total underinsurance is \$155 million

Colorado Insurance Commissioner Michael Conway said the preliminary analysis was needed to figure out the scope of the underinsurance problem so the DOI can work on solutions for the widespread issue. "This is our initial analysis, but we will continue to analyze the claims data as it comes in from the insurance companies," Conway said. "However, the challenge now and going forward will be nailing down reliable rebuilding costs." The initial data collected from the insurance companies was for 983 claims, but that was whittled down to the 951 for analysis because 32 claims were incomplete or had non-traditional policies, according to the DOI. The Division of Insurance said it conducted the analysis to try to better figure out the scope of underinsurance, and that the data will get better as insurance companies continue to report each month. By the end of last month, the SBA had approved \$91 million in disaster loans for people whose homes were total losses in the Marshall Fire, most of which the DOI believes will be used to cover gaps between what insurance covers and the cost of rebuilding.

*Blair Miller - The Denver Channel - 2022-04-26*



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**974 Old Wagon Trail Cir  
Lafayette - \$1,000,000**

Newer fabulous home sits on over a 1/4 acre of land with close proximity to the Coal Creek trail & 3 parks. Mountain views & hardwood flooring throughout main flr.



**5827 Blue Mountain Cir  
Longmont - \$939,000**

Remodeled home in SW Longmont backing to open space with views down to the Flatirons! Hardwood flooring and tile throughout main level with open floor plan.



**1836 22nd Street  
Boulder - \$1,350,000**

Newer construction in Downtown's Whittier South. Modern, professionally designed finishes - honed granite, custom cabinetry, polished concrete flooring.



**1512 Sunset Street  
Longmont - \$649,500**

Fabulous 4-Level home in N. Longmont bordering neighborhood open space. New carpet & new paint. Open floor plan with tiled entry, soaring vaults & 4 bedrooms.

A couple of updates on Marshall Fire effects in our marketplace. I have been surprised, as well as other market watchers, by the continued presence of very liquid fire survivors who are bidding on and purchasing homes in our area. I had originally thought this would be a small group with a fairly transient market effect, but this group has proven to be both larger and more active for a longer period than expected. The size of the group is more surprising than their lengthier presence which can likely be explained by the small numbers of homes for sale in our area.

Second fire effect, not as surprising, the burned, vacant lot market is not very strong. So far, entering our fifth month post-fire, I have only seen 4 closings of vacant burned lots. Another 31 lots are currently for sale and 10 of those are under contract and most have been for lengthy periods. What I'm hearing is that buyers are hesitant to close on these properties with all of the uncertainties surrounding the debris removal process. Now that the FEMA program is really ramping up, we may see more closings.

The overall market saw strong deceleration mid-April when interest rates shot up, inflation fears intensified and the stock market dropped. Very common now to hear of properties that are seeing only single digit showing totals during their first week on the market. Even with the slow showing numbers, it's still possible to sell the first week, sometimes with multiple offers, but that outcome is no longer guaranteed like it was during the first 90 days of 2022. Showing activity chart, top left, shows we have just dropped below the 2021 showing levels. Some homes listed in my office, without any apparent rhyme or reason, are getting heavy showing activity while others languish, likely due to patchy buyer demand for price points, market areas and differing property features.

During the last 3 years, we've seen the Listing Replacement Rate, top right, go negative starting in June. I'd expect that this year we may not see that happen as buyer demand has slackened and many sellers have not yet adjusted to the slower market. We could actually see Available Inventory rising and have already seen that middle left. How much Inventory accumulates and what that will do to pricing will be the riddle we try to untangle for the rest of the year.

The Percent of Homes Under Contract also shows the market shift we started feeling in Mid-April. All of the different cities in Boulder County have retreated from their high points in percent under contract. Always need to be careful when we talk about market shifts. Definitely a change, but the other way to look at it, every city is still more than 50% under contract. When you're flying down the highway doing 90+ mph, you feel a change when you lift off the gas, but it can be some time between lifting of the gas and getting back to a normal speed.

With everything going on in the world at large and locally, it can be hard to decipher what a normal speed should look and feel like. How long should a home be on the market before receiving offers? Does a buyer have to go see a home during the first several hours or days on the market? Is an over asking price offer still the norm? Should a buyer have to waive all of the contingencies in a contract? What interest rate should I be thinking is a good deal? All questions we'll be keeping a close eye on. Hope everyone has a safe and happy Spring!

*Mike Malec*

