



INSURANCE

7 Insurance Red Flags That Mean You're Probably Underinsured

altadenafiresafe.org

Our Mission

The **Altadena Fire Safe Council** is working to reduce wildfire risk across our community through GIS-informed planning, science-based integrated vegetation management and regenerative land stewardship. We will pursue Firewise USA® neighborhood recognition by educating our community about home hardening, defensible space design, soil restoration and native plant landscaping.



Charity On Top (EIN #81-1198370) is a California-registered 501(c)(3) nonprofit foundation and is the official fiscal sponsor for the Altadena Fire Safe Council.

Insurance Disclaimer

The information provided is for general informational purposes only and should not be considered professional insurance advice. It does not replace the guidance, evaluation, or opinion of a licensed home insurance professional. Coverage terms, eligibility, and policy interpretations vary by provider and individual circumstances. For advice specific to your property or insurance needs, please consult a qualified insurance agent or licensed expert.

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Common Warning Signs Your Policy May Fall Short

Many homeowners assume their insurance policy will fully cover rebuilding costs after a wildfire. Unfortunately, thousands of Californians discover after disasters that their policies fall far short. If you notice any of the following warning signs, it may be time to review your coverage.

1. Your Coverage Is Based on Market Value
Insurance should reflect the cost to rebuild your home , not what it would sell for on the real estate market. Land value and neighborhood demand can distort home prices, leaving rebuilding costs underestimated.
2. Your Policy Hasn't Been Updated in Years
Construction costs have risen dramatically over the past decade. If you haven't reviewed your coverage in three to five years, your policy limits may no longer reflect current building costs.
3. You Don't Have Extended Replacement Coverage
Wildfires often create sudden spikes in construction demand. Without extended replacement cost coverage , your policy limit may not keep up with post-disaster rebuilding costs.
4. Your Insurance Estimate Was Generated by a Simple Calculator
Some insurers use automated tools that rely on generalized assumptions about construction costs. Homes with custom features, hillside access challenges, or older construction styles may require much higher rebuild estimates.
5. Your Policy Doesn't Include Code Upgrade Coverage
Rebuilding after a wildfire usually requires meeting modern fire safety building codes . If your policy lacks Ordinance or Law coverage, you may be responsible for these upgrades yourself.
6. Detached Structures Aren't Adequately Covered
Garages, barns, studios, fences, and outdoor structures often have limited coverage unless specifically listed in the policy.
7. Your Home Has Been Renovated
Major upgrades such as kitchen remodels, additions, solar systems, or custom materials can significantly increase rebuilding costs if they aren't reflected in your policy. If several of these red flags apply to your policy, it may be time to request a new replacement cost estimate from your insurance provider.

Why Many California Homes Are Underinsured by \$200,000–\$500,000

After large wildfires across California, insurance experts repeatedly find that many destroyed homes were significantly underinsured. Several factors contribute to this widespread problem.	
Rapidly Rising Construction Costs	Demand Surge After Wildfires
Labor shortages, supply chain disruptions, and regional demand can dramatically increase rebuilding costs after disasters. Insurance estimates may lag behind these changes.	When thousands of homes are destroyed in the same region, contractors, architects, and building materials become scarce. This demand surge can increase rebuilding costs by 20–40 percent.
Outdated Policy Estimates	
Many homeowners purchase insurance when they buy their home and rarely revisit the coverage limit. Over time, inflation and construction cost increases can create large gaps in coverage.	
Hidden Rebuilding Costs	Unique Challenges in Foothill Communities
Insurance estimates sometimes underestimate or overlook important expenses such as:	Homes in hillside areas often require specialized construction methods due to:
☐ debris removal	☐ steep slopes
☐ engineering and soil testing	☐ limited road access for heavy equipment
☐ architectural plans and permits	☐ retaining walls and foundation stabilization
☐ retaining walls and foundation repairs	☐ wildfire-resistant landscaping and design
☐ modern fire-resistant construction materials	
These additional costs can add hundreds of thousands of dollars to a rebuilding project.	

Annual Home Insurance Review Checklist

Experts recommend reviewing your homeowners insurance policy **once every year**, ideally before the start of wildfire season. This quick checklist can help you confirm that your coverage still reflects the true cost of rebuilding your home.

Review Your Dwelling Coverage
Confirm that your policy limit reflects current rebuilding costs for your home's size, materials, and location.
Check for Extended Replacement Coverage
Verify whether your policy includes extended or guaranteed replacement cost protection to cover potential demand surge after disasters.
Update for Renovations or Improvements
If you've remodeled your kitchen, added square footage, installed solar panels, or upgraded materials, update your coverage accordingly.
Confirm Coverage for Detached Structures
Make sure garages, workshops, sheds, fences, and other structures are included in your policy limits.
Review Additional Living Expense Coverage
Confirm how long your policy will cover temporary housing if your home becomes uninhabitable.
Check Ordinance or Law Coverage
Ensure your policy includes coverage for building code upgrades required during reconstruction.
Maintain a Current Home Inventory
Update photos, videos, and documentation of your belongings to make future insurance claims easier.
Verify Your Deductible
Understand both your standard deductible and any wildfire-specific deductible that may apply.
A Final Thought
Wildfire preparedness involves more than clearing brush and planning evacuations. Making sure your insurance policy reflects the true cost of rebuilding your home is one of the most important financial steps homeowners can take before disaster strikes.