



Natural Disaster Resource

Does Your Insurance Policy Cover Wildfires?

Wildfire season is igniting earlier and burning longer, with blazes occurring even in the winter now. Warmer, dryer climate is at least partly to blame.

Mother Nature sometimes sets off these fires, but humans are responsible for the majority of them. It may be time for us all to brush up on our fire prevention tips. If you live in a fire-prone area, it's definitely time to review your insurance coverage.

Wildfires and Financial Safety

While protecting people is of paramount concern, protecting homes and businesses is also important. While certain types of insurance policies typically provide protection from financial losses due to wildfire, homeowners and business owners should review their coverage or speak with their insurance providers to verify that "wildfire" is a covered peril. Here are how policies typically respond to this risk



Homeowners Policy

Coverage typically includes the loss of your home, your belongings, other buildings on your property (e.g., shed), and trees and shrubs. A homeowners policy generally will cover the cost to remediate smoke damage and make other repairs, and will pay for additional living expenses (e.g., hotel, meals) if you cannot stay in your home while it is being repaired. Be aware that some insurance carriers are beginning to amend policies in very specific ways as a result of wildfires. For example, some carriers have a specific wildfire deductible, are making it a special deductible (which eliminates the waiver for losses exceeding \$50K) and are limiting the monthly loss-of-use benefit to 1% of the dwelling replacement cost limit, subject to a maximum of \$50,000/month. So, for example, a \$5 million home has a \$50,000 per month cap, the same as a \$20 million home.

Auto Policy

If your policy includes "comprehensive" coverage, which is coverage for damage not inflicted as the result of an automobile collision, the policy likely will cover damage from wildfires.

Businessowners Policy

This type of policy generally includes coverage for the building/space as well as equipment, furnishings, inventory and supplies within it. It also typically includes coverage for lost income as a result of a wildfire and funds for additional operating expenses. Commercial property insurance policies typically need to be endorsed to cover loss of business income and extra expense.



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Those who own homes or businesses near canyons and other wildfire-prone areas may need to purchase a standalone fire policy rather than relying on a standard homeowners or business owner's policy. Also, be aware that similar to flood policies, wildfire coverage in any policy type must be in place before property is threatened by an imminent wildfire.

Annual Review

The key takeaway is this: Read your insurance policy(ies) carefully. A good broker or advisor is always willing to review your policy coverages and discuss the terms and limits with you. Use this resource to make sure you are educated and properly protected.

The above information does not constitute advice. Always contact your insurance broker or trusted advisor for insurance-related questions.