



NW Insurance Council

Consumer Alert

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Many Northwest homes may be underinsured. Do you know your replacement cost?

SEATTLE, WA, June 25, 2025 – If tragedy struck your home – as wildfires have done to homeowners in the Northwest and California in recent years – would your homeowners policy pay to completely replace your home and its contents, or would you reach your policy limits before construction could be finished?

As construction costs continue to rise across the Pacific Northwest and nationwide, many homeowners in Washington, Oregon, and Idaho could face a serious but often overlooked threat: underinsurance.

Organizations like [Cotality](#) (formerly Corelogic) and the [Consumer Federation of America](#) have suggested that 60 percent or more of homes in the United States are **underinsured** – which means they have homeowners insurance coverage, but with policy limits that are insufficient to cover the cost of rebuilding if the structure was destroyed by fire or other disaster.

The NW Insurance Council urges residents to review their homeowners insurance policies to ensure their coverage reflects the current cost to rebuild, not the home's market value.

In today's construction market, the difference between a home's insured value and its actual rebuilding cost can be tens or even hundreds of thousands of dollars.

According to [Verisk](#), a leading data analytics and technology provider for the insurance industry, total residential reconstruction costs in the U.S. rose by **5.2%** between April 2024 and April 2025, following a **4.6%** increase the previous year. In the Pacific Northwest, Verisk reports that reconstruction costs increased by **6% to 6.9%** in **Washington and Oregon**, and by **4.88% to 5.9%** in **Idaho** during the same 12-month period.

Many homeowners insurance policies include automatic "inflation guard clauses" that increase the policy's limits equal to inflation – but not all policies include these clauses. And even if your policy includes that guard, inflationary increases may not reflect the rapid increase in the value of homes or the true cost of construction materials. For that peace of mind, homeowners may want to consider "extended" or "guaranteed" replacement cost policies.

An extended replacement cost policy pays a pre-determined, stated percentage above the policy limit. A guaranteed replacement cost policy pays to rebuild a home as it was before the disaster without regard to the policy limit.

"Consumers looking for the most affordable option for insurance when buying a home, may choose a fixed-limit homeowners policy with or without an inflation guard clause in order to save money on their premiums," said NW Insurance Council president, Kenton Brine. "But in today's high construction cost environment, we have seen too many policyholders reach their policy limits before they complete the rebuilding process. It is an avoidable problem, but only if consumers take time to know their options and have the right coverage."

Not every insurer writing homeowners coverage offers replacement cost coverage, and not every home may be eligible for those coverage options – older homes with unique or costly architectural features are an example. But typically, there are options offered by

insurers to increase the coverage limits on most dwellings to help cover rebuilding costs if a home becomes a total loss. It starts with estimating your home's value and the cost to rebuild if it were destroyed.

The [Insurance Information Institute](#) offers a free brochure with [tips and information](#) on determining your home's replacement cost and whether you should consider additional coverage through an endorsement or switching to extended or guaranteed replacement cost coverage. Tips include:

- **Learn more about “actual cash value” vs. “replacement cost”** policies by talking with your insurance company or agent. Know which type of policy you have – and which best fits your budget and your needs.
- **Find out your home's value *and* replacement cost.** It's good to know your home's market value, but you should also estimate the cost to actually rebuild your home as it is today and to replace all of its contents. Your insurer, agent or real estate professional may be able to help you find a home appraiser for this task.
- **Learn about other coverage options for your home and its contents**, including endorsements that change conditions or limits of your policy or “floaters” – policies that apply to possessions that are movable and unique or expensive, like jewelry, art or collectibles.
- **Make sure you know the limits – for dwelling as well as contents** – under your current homeowners policy.
- **Keep a complete and up-to-date inventory of your possessions** in case they are damaged, lost or stolen, and have those items appraised as well to determine whether the “contents” limits on your homeowners policies are keeping up with the value of your possessions. Remember, the total loss of your home is a traumatic event, and it will be difficult to recall all of your possessions after the

loss – but your insurer will ask for a list, and as much proof as you can provide in order to help you rebuild and recover.

- **Find out about any significant building code changes in your community** – they could affect the cost of rebuilding, and those costs may not automatically be included in your policy limits. City and county governments have building code information accessible to the public.
- **Remember that standard homeowners insurance policies specifically exclude** some perils, including floods, earthquakes, mudflow/landslide and sinkholes. If you live in an area where there is a threat of these perils, coverage is likely available through the [National Flood Insurance Program](#), from companies that write earthquake insurance, or from specialty “Surplus Lines” insurance brokers that write [“Difference in Conditions”](#) policies. Not sure of these threats and your coverage? Call your company or agent to find out more about your risk.

Depending on the state, homeowners insurance premiums have changed significantly as well.

The [I.I.I.](#) reports that from 2020 to 2021, premium rates rose 7.6 percent on average nationwide. The primary drivers of rate increases are rising catastrophic losses related to extreme weather, population shifts into disaster-prone regions (such as [wildfires](#) in wildland-urban interface areas), and increasing home repair and rebuilding costs.

“After a tragic fire, policyholders expect their homes to be rebuilt or repaired to pre-loss conditions,” Brine said. “That’s why it’s important to work with your insurance company or agent now, to make sure your policies are keeping up with your home, your possessions and your life.”

For more information, call NW Insurance Council at (800) 664-4942 or send an email to info@nwinsurance.org.

NW Insurance Council is a nonprofit, insurer-supported organization providing information about home, auto and business insurance to consumers, media and public policymakers in Washington, Oregon and Idaho.

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