



NW Insurance Council

Consumer Alert

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Intensifying wildfire seasons reveal a growing threat: underinsured homes

PORTLAND, OR, August 19, 2025 – If tragedy struck your home – as wildfires have done to homeowners in the Northwest, Colorado and California in recent years – would your homeowners policy pay to replace your home and its contents, or would you reach your policy limits before construction could be finished?

Recent studies and reports show that rapidly rising home values, escalating construction costs, inflation, and a trend toward choosing lower-cost premiums have fueled a growing problem of underinsured homes in the United States — that is, consumers purchasing insurance policies that fall short of covering the full cost to rebuild or repair after damage.

The good news is, there is a remedy for this potential problem – if consumers act *before* a tragedy strikes. [NW Insurance Council](https://www.nwinsurancecouncil.org) urges homeowners to review their policies with their insurance company or agent to make sure their current homeowners policy is keeping up with rising costs, and to inquire about *extended* or *guaranteed* replacement cost coverage for their homes and possessions.

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.

“Many people are looking for the most affordable option for insurance when they buy a home, and a fixed-limit homeowners policy with or without an inflation guard clause may come with a reduced premium,” said NW Insurance Council president, Kenton Brine. “But the limits of that policy may not be enough if the cost of rebuilding and refurnishing your home has risen in the way many Northwest communities have seen lately.”

It's important to note that 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 all 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.
- 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.
- Find out your home’s value *and* replacement cost – It’s good to know your home’s market value, but also, you should 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.
- 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.

“After a tragic loss, 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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