Losing Your Home in a Natural Disaster - How to Protect Your Finances - Maui Update

August 18, 2023 - Over the years, this has been one of our most read articles so we regularly update it as natural disasters occur. The last time we published it was about a year ago, for Hurricane Ian. This time it is for the fire in Maui. If you know anyone who has been impacted by the fire, you may want to send them a link to this article. It could be a financial life saver. It is about protecting personal finances in the wake of natural disasters. At the end of the article you will find a resource guide that fire victims may find very beneficial.

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The fire in Maui has wiped out the town of Lahaina. If you've ever been to Maui, you know that town. It's pretty well the tourist center of the island. My wife purchased my wedding ring there and we have very fond memories of the place, as do millions of others around the globe. Within the past few days, it has largely been reduced to rubble and there are already reports of scam artists and carpet baggers who are trying to take advantage of the survivors. We want to stop that, and the best way to do that is by giving victims of this disaster a financial lifeline.

Based on the reports we've seen, access to Lahaina is limited right now. The same is true for public services. Residents of the area will have real issues with getting their mail, and other forms of communication also appear to be limited. Because of this, residents of the area are likely to have some late payments on their bills. They need to start trying to preserve their credit by calling creditors to explain the situation. This is where their financial recovery will begin. But it is only the beginning.

While a natural disaster may destroy your home, mistakes when making a claim with your insurance company can lead to depleted bank accounts and ruined credit. This article is a primer to help victims of natural disasters avoid some of the pitfalls they will certainly encounter when going through the claims process. If you know someone who needs this information, you can download a PDF copy of it by clicking on the Adobe icon to the right of the article's title. (GuardMyCreditFile.org site only)

In addition to informing you about how to deal with insurance claims, you'll also find sections about scams used to prey on victims of natural disasters, how to deal with creditors and a list of some of the resources/agencies to help victims deal with the disaster along with contact information. These agencies can be of great assistance, especially to anyone who lacks the necessary insurance coverage to recover from this disaster.

Your Insurance Company Is Not Your Friend

This point cannot be stressed enough. Although you may like your insurance agent, and perhaps you've even had some good experience working with your insurance company on small claims in the past, the minute you file a major claim on your homeowner's policy it becomes an entirely new ballgame. Even if you are being treated with courtesy and a smile, you need to understand that it is the insurance company's job to protect its stockholders. To do this, the company needs to minimize the amount of money paid out in claims.

The relationship between anyone who has lost or who has experienced significant damage to their property and their insurance company is adversarial by nature. If you are the person filing the claim, your aim is to recover as much of your loss as possible. At the same time, your insurance company is trying to pay you as little as they can.

Understanding the nature of this relationship and keeping it in mind throughout the claims process is critical to your financial wellbeing.
Know Your Policy

Knowing what's in your insurance policy is the only way to ensure that you are compensated properly by your insurer. Homeowner's policies can be complicated so you may want to get some outside help to determine what you are entitled to.

Given the fact that the Maui fire moved so rapidly, most residents who lost their home had very little time to gather documents prior to evacuation. That's going to make reading the insurance policy almost impossible unless victims have online access to it. If you lack access to a copy of your policy you are going to need to call your insurer and have them provide you a copy of it. This is critical. Don't sign or agree to anything with your insurer prior to reading the policy!

The minimum homeowner's policy insures the fair market value of your home as it was built but it also contains a number of exclusions. For instance, if you have a lot of art work in your home, it is probably not covered unless your policy contains a special clause - known as a "rider" - giving you coverage. This is something that you would have to pay extra for. The same is true for items such as coin collections, jewelry and most collectibles.

A basic policy also excludes many natural disasters. For instance, in order to be covered for floods you need government backed flood insurance. To be covered for earthquakes, you need a separate earthquake policy. And for hurricanes, you need hurricane insurance. If one of these disasters befalls you and you don't have the correct coverage, you could be responsible for 100% of the damage to your home.

There are however exceptions. If your house is flooded but then burns down or is wiped out by a tornado, your regular homeowners' policy may cover you. Even so, your insurance company is likely to try and get out of paying a claim by blaming the flood if they can. In this type of circumstance, we highly recommend getting outside assistance. In the end you may need an attorney, but we suggest starting with a public adjuster. We've included an entire section on this topic, below.

Unless your home is nearly new, the minimum policy will probably not cover the costs of rebuilding it. This is because building codes change over time. As mentioned previously, the minimum policy insures your home only as it was built; not with any required code upgrades. Some insurance policies do include "replacement cost coverage", code upgrades, or both. These types of policies do cost more but are well worth the expense.

Most homeowner's policies also include a clause covering additional living expenses (ALE). The purpose of ALE is to cover the additional expenses that come about as a part of a major loss. Things such as renting a new home while you rebuild, renting furniture, moving expenses in the event you are able to salvage some of your belongings, etc. But the amounts paid under these clauses can vary significantly. More restrictive policies may limit you to as little as $1,500, which won't even cover a single month of rent in many areas. Less restrictive policies may cover virtually all of your living expenses for a year or more. The only way to know for sure is to read your policy.

ALE coverage may prove to be the critical difference between having enough money to live and going bankrupt or ruining

your credit while waiting for your insurance company to pay you. It's easy to forget that when someone loses their home in a fire or other disaster, they still have to pay the mortgage. Without ALE, it may become impossible to continue to pay that mortgage bill and then pay an additional amount to rent a new home.

For those who are uninsured or who have losses not covered by their insurance policy, the Federal Emergency Management Agency (FEMA) may be able to assist you. FEMA often provides funds for short term housing, and in some cases actually provides housing for up to 18 months after a disaster. You'll find contact information for FEMA in the resources section, below.
Additional state resources may also be available to you.
Inventory Your Losses

If you lose your home, the house isn't your only loss. The contents of the house are also valuable.

Most insurance companies will provide their customers with inventory lists that they can fill out. But most people don't keep these lists up to date, and even those who did in Maui likely lost those lists in the fire. It should also be pointed out that just because you have a list of the things you own, that doesn't necessarily mean that your insurance company will believe you when you file your claim.

One of the best ways to establish what you actually own is through pictures. If you are allowed to return to your home, make sure you take new pictures before you throw anything out. If you can, you should save anything you plan to discard until your insurance agent can inspect it. If you have them, keep any pictures or video of the contents of your home, including that of closets and dresser drawers, as well as 360-degree views of each room in your house. This includes any pictures you may have of the contents of your garage, basement and attic. It's very difficult for anyone to argue with pictures.

For anyone who loses their home and who doesn't have an up-to-date inventory of its contents, try to assemble one from memory as soon as possible. If you don't have any pictures of the contents of your home, contact friends and family that may have taken pictures in your house and ask them for copies. Not only will this help you when working with your insurer, it may also jog your memory.
Hire a Public Adjuster

Hiring a public adjuster may very well be the best way to ensure that you are compensated fully by your insurance company. It's a way for you to even the odds by getting a team of experienced insurance negotiators on your side.

Public adjusters can tell you almost immediately if your loss is covered or not. They understand insurance policies, how to read them and what's included. If you don't have coverage, the chances are that public adjusters won't work with you on your claim. But by the time you get off the phone with them, you'll know whether or not your claim is covered at all.

Once you hire a public adjuster, all of your direct interaction with your insurer will come to a halt. From that point forward, your insurer should deal exclusively with the company you have hired. For the record, insurers absolutely hate it when clients go this route. It sends them a very loud and clear message that you are consumer that needs to be taken seriously. In many cases, it puts an end to insurance company delays because the company can be pretty sure that if you aren't dealt with fairly, they will wind up in court.

Public adjusters don't charge any money up-front. Instead, they take a percentage - typically around 10% - of the amount they recover from insurers on your behalf. While 10% may seem like a lot of money, they are much more likely to get you the maximum benefits from your insurer. In a major loss, this usually more than makes up for amount you pay to the adjuster.

Public adjusters take a lot of the pressure off of disaster victims' shoulders. Instead of having to negotiate with your insurer directly, the adjuster does it for you. Instead of having to assemble the inventory of your house on your own, the adjuster will do that work.

Public adjusters will also be in a better position to advise you in the event there is a problem with your insurance

company. Is it time to hire an attorney? Can you settle your claim for an amount that will pay off your old house and let you purchase a new one? They can help with these types of questions.

The loss of a home is terrible experience. But not knowing what you are entitled to from your insurer can compound the tragedy by leaving you with little money and ruined credit.

An important note here. Public adjusters don't just work with homeowners policies. They also work with business policies. Any business that was damaged in this latest disaster would be well served to look into hiring their own public adjuster. They will work not only on the loss, but also on policies that include business interruption insurance.

Call your creditors

If you've gone through a natural disaster and lost your home, call your creditors right away. And we don't just mean credit card companies. Call your utility companies, mortgage holder, and even medical providers if you owe them money. All of these entities can affect your credit.

Most creditors will work with you. They may even defer payment of your bills without penalty and without impacting your credit record. In the case of the fires, mortgage companies will be under enormous pressure to work with borrowers. That's because in large disasters with lots of victims, if home and business owners decide to walk away from their mortgage obligations en-masse, they will face enormous losses (not to mention all of the bad PR they would get). Don't be surprised if some special programs arise from lenders to address this issue and to keep victims happy.

If you are trying to rebuild a house, or purchase a new home, the chances are that your credit is going to be important to you. Notifying your creditors about the extraordinary circumstances you face is one of the best ways to protect your credit record.

In addition to standard creditors, if you owe taxes to the Federal Government or any state agency, you need to contact them if there is any possibility that you will be making late payments.

Beware of scam artists

The minute you become the victim of a disaster, you also become a prime target for scam artists. Your desperation is the scam artist's friend.

The number of scams that target disaster victims are too numerous to cover comprehensively but there are things you can do to protect yourself from most scams. Here are some things to keep in mind.

If you receive an unsolicited phone call or text message from a government agency, it is almost certainly a scam.

In 2010, flood victims in the Midwest began receiving text messages that appeared to come from the Federal Emergency Management Agency (FEMA). Recipients were told that they could start the claims process and get information from FEMA by pressing the * key on their phone. Anyone who pressed that key was subscribed to a service that cost them $10 a month, billed to their cell phones. This is just one example.

Scam artists who telemarket, regularly claim to be from government agencies including the IRS, Social Security, the VA, etc. In natural disasters, they may also claim to be from federal, state or local housing agencies and from disaster relief agencies including FEMA and the Red Cross. In their phone calls, they will always try to get the victims' personal data. That includes the date of birth and social security number.

Some will ask for this information outright. But others may say something like, "I just need to confirm your information. Can you give me your SSN and date of birth so that I can verify that I'm speaking with the correct person?" If you receive a call like this, hang up immediately. Government agencies will never call you and ask for this information. The government knows who you are.

And, as in the case of the FEMA scam, they won't send you unsolicited text messages asking you to sign up for disaster relief.

It is fairly common practice in disaster areas for FEMA employees to visit victims' homes. Before you give any information to someone claiming to be from FEMA, insist on identification. If they don't have it, kick them out.

Government agency scams aren't the only ones that you have to worry about though. Insurance company scams are also fairly common. Keep in mind, your insurance company isn't going to call you and ask for your name or your address. They already have that information. Nor will they call you and ask for other personal information to start a claim. It is up to you to make first contact with your insurer. Once you do, you will wind up with a claim number. Keep it handy. From that point on, if you get a call claiming to be from your insurer, ask the person calling you to provide you with the claim number. If they don't have it, chances are that the caller isn't who he is claiming to be.

As morbid as it sounds, there are also scam artists that will target those who have lost loved ones in disasters. Scams may include setting up memorial services, funeral preparation, coffin sales, etc. When a death occurs, those who survive are at their most vulnerable.

The bottom line

Unfortunately, if you or a loved one becomes the victim in a natural disaster, you are also at increased risk of becoming a crime victim too. Federal, state and local police agencies are likely to be overwhelmed and may very well be in a poor position to protect you. That means it is up to you to protect yourself.

Resources

Federal Emergency Management Agency

http://www.fema.gov

800-621-FEMA (3362)

FEMA can assist natural disaster victims on a wide variety of topics including short and long term emergency housing.

US Flood Insurance Program (through FEMA)

http://www.FloodSmart.gov

Information specifically for flood victims and filing claims.

DisasterAssistance.gov (through FEMA)

http://www.DisasterAssistance.gov

Provides links to a wide range of resources available to disaster victims.

US Housing and Urban Development Disaster Resources
https://portal.hud.gov/hudportal/HUD?src=/info/disasterresources

Provides information for homeowners who live in presidentially declared disaster areas, including special mortgage programs and counseling services.

US Small Business Administration

http://www.sba.gov

SBA Answer Desk: 800-827-5722

Disaster Loans: 800-659-2955 (TTY: 1-800-877-8339)

The SBA is the primary source of low-cost disaster loans for homeowners and businesses. NOTE: Flood and earthquake victims with policies covering those types of losses may find it more difficult to get SBA loans because the agency assumes that your insurance will be your primary source of funds for rebuilding. Even so, the agency may be able to provide loans to assist with uninsured losses.

American Red Cross

http://www.redcross.org

866-438-4636

USA.gov

http://www.usa.gov

800-333-4636

USA.gov is a resource website that lists most federal, state and local government agencies. You may find resources here that are otherwise difficult to locate. This is the best source of information to on state agencies.

Hawaii Resources

Hawaii Emergency Management Agency

https://dod.hawaii.gov/hiema/

Maui Emergency Management Agency

https://www.mauicounty.gov/70/Emergency-Management-Agency

Residential Damage Reporting - August Fire Only

https://crisistrack.juvare.com/selfreport/?cid=mauiHI&schemaId=mauiHIIDA&iid=64d253b8222ba50c93ac3d80&appId=mauiHI

Public Adjusters

The companies below are listed for the convenience of our readers. This is not a recommendation to use any of them, and there may be many more public adjustment companies in your area. You can find additional companies in the field through internet searches or using a local phone book.

The Greenspan Co.

https://www.greenspanai.com

888.473.3677

Hawaii Public Adjusters

https://www.hawaiipublicadjuster.com

808-856-3041

Sunpoint Public Adjusters

https://sunpoint.us

(888) 247-7865
A note about the author

Jim Malmberg lost his home in the 1994 Northridge earthquake. The advice in this article comes directly from that experience. And for the record, he did hire a public adjuster and was quite happy with the outcome.
by Jim Malmberg
Note: When posting a comment, please sign-in first if you want a response. If you are not registered, click here. Registration is easy and free.

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