Losing Your Home in a Natural Disaster â€“ How to Protect Your Finances - Hurricane Harvey Update

August 30, 2017 â€“ Over the years, this has been one of our most read articles so we regularly update it as natural disasters occur. It is about protecting personal finances in the wake of natural disasters. Hurricane Harvey has led to unprecedented flooding throughout Texas and is now making its way into Louisiana. But flooding isn't the only issue. There have been tornados generated by the storm, causing more destruction, as well as some buildings that have actually burned. Now tens of thousands of people are effectively homeless and thousands of businesses are also affected. Hence, this update. This time, we are including a resources section at the end of it. In that section, you will find organizations - along with contact information - that may be able to assist you or your loved ones with both immediate and long term assistance.

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If you have been watching the news over the past few days, you've seen images from the storm, the damage it has caused and the ongoing rescue efforts. As tragic as these losses are, the pictures only tell a part of the story. 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. You'll also find a section about scams used to prey on victims of natural disasters.

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 in claims.

The relationship between anyone who has lost or who has experienced significant damage to their property and their insurance company is adversarial in 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.

In the case of Hurricane Harvey, the relationship is actually more complicated than with most other types of claims. That's because to recover damages caused by flooding, you need to have a flood insurance policy issued by the federal government. But there are circumstances in which your regular homeowner's policy may protect you. More on that later.

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.

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 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 donâ€™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.

Unfortunately, flood insurance policies do not cover ALE. Because of this, it is critical to be certain that your losses aren't covered by your homeowner's policy. If they are not, 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.

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. 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. Videotaping the contents of your house is fairly fast and easy. This kind of documentation should include pictures of the contents of closets and dresser drawers, as well as 360 degree views of each room in your house. Make sure you include the contents of your garage, basement and attic. It's very difficult for anyone to argue with pictures.

If you have already lost your home, and you don't have an inventory, you should 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.

In the case of flooding, even after items are damaged they will probably remain recognizable. Before you reenter your home or business and start throwing away everything that is ruined, take 30 minutes to shoot a video or take some pictures. That way you can refer back to these images when you file your claim.

Hire a Public Adjuster

Hiring a public adjuster may very well be the best way to insure 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. In the case of flood insurance, they should be able to tell you if you needed flood insurance for coverage or if your claims will be covered by your regular homeowners' policy. 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 arenâ€™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? Public adjusters 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.
Call your creditors

If youâ€™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 you 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 Hurricane Harvey, mortgage companies will be under enormous pressure to work with borrowers. That's because there are so many victims of flooding. If home and business owners decide to walk away from their mortgage obligations en-masse, they will face enormous losses. 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.

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 artistâ€™s friend.

The number of scams that target disaster victims are too numerous to cover here 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 â€œ*â€• 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, etcâ€¦ In natural disasters, they may also claim to be from federal, state or local housing agencies and from disaster relief agencies including FEMA. In their phone calls, they will always try to get the victimâ€™s 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, â€œI just need to confirm your information. Can you give me your SSN and date of birth so that I can verify that Iâ€™m speaking with the correct person?â€• If you receive a call like this, hang up immediately. Government agencies will never call you and ask for this information.

And, as in the case of the FEMA scam, they wonâ€™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 arenâ€™t the only ones that you have to worry about though. Insurance company scams are also fairly common. Keep in mind, your insurance company isnâ€™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 donâ€™t have it, chances are that the caller isnâ€™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, etcâ€¦ 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. Harvey victims in Texas and Louisiana can use this site to find programs and agencies specific to their states.
byJim Malmberg
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