

How to Keep a Natural Disaster from Becoming an Insurance Disaster

Lessons from the Waldo Canyon Fire

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As the Waldo Canyon Fire bore down on the city of Colorado Springs last summer, many people were suddenly forced to consider a host of frightening questions. What happens if my home is damaged or destroyed? Will my homeowners insurance be sufficient for me to rebuild? What happens if I have smoke damage, or if part of my home is destroyed? What about my personal property? How will I ever remember all the items in my home in case of a loss? There's nothing like a natural disaster to cause these worries to surface. The best time to plan for such catastrophes is when none are looming so that all of the proper precautions can be taken in a thoughtful, unhurried manner.



A good place to start is ensuring that you have adequate homeowners insurance coverage to begin with. A recent Consumer Reports study found that 10% of those who filed claims were underinsured, and this problem can be much more egregious when a home is a total loss due to a natural disaster. To avoid this issue, make sure you have replacement cost coverage (as opposed to actual cash value coverage), which covers the cost to rebuild your home and replace your belongings, up to your policy limits. If possible, obtain “full” or “guaranteed” replacement cost coverage, which covers the entire claim, regardless of policy limits. If this is not available, at least make sure you have “extended” replacement cost coverage, which provides additional coverage up to a certain percentage beyond your policy limit. This is doubly important in a situation like the Waldo Canyon Fire, as rebuilding may cost more due to scarcity of builders or supplies.

The amount of coverage you need is dependent upon the cost to rebuild your home from scratch, so make sure your insurer has considered things like unique or custom features in your home when writing your policy. If possible, have your insurance agent visit your home in person to ensure they have fully captured the value of the property they're insuring. Also make sure your policy includes “Building Ordinance or Law” coverage, which helps cover the cost of bringing your home up to current building codes in a partial loss situation, which was a frequent occurrence in the Waldo Canyon Fire. Regarding your personal property, now is a great time to conduct a photo or video inventory of all of your possessions, and make sure to store the inventory outside of your home. Make sure you have riders for any unique or high-value items, such as jewelry, sports equipment, wine collections, furs, and the like.

In case of a loss, you'll want to take the following steps:

Contact your insurance agent to report the loss. Make sure to obtain the name and contact information for the adjuster who will be handling your claim, and keep good notes regarding all of your contacts with the insurer. Ask your insurer for a list of companies who are authorized to make emergency repairs. Document all of your expenses as soon as you can so that they can be submitted for reimbursement. When working with the adjuster, get everything in writing and take notes on all conversations.

Document the damage with photos or video, and make a list of everything that was damaged or destroyed, being as specific as possible. Helpful information includes an item's description, age, cost at time of purchase, and an estimate of the replacement cost. Receipts, cancelled checks, and credit card statements are very helpful in this regard. The inventory of your home that you created pre-disaster will be extremely helpful. Make a copy for yourself, and provide one to the insurer.

Make temporary repairs (if your home is safe to enter) to prevent further damage (such as covering a broken window so that rain doesn't get in); your insurer will provide reasonable reimbursement for these repairs.

Get estimates for permanent repairs from several contractors (if possible; in a disaster such as the Waldo Canyon Fire, in which hundreds of homes were impacted, contractors may be in short supply) and have the work completed. Your insurer will cover the cost of temporary housing, usually for up to 12 months.

Remember, take your time resolving the loss and don't sign off immediately on any claims. Wait until you understand the full extent of the loss. Water, for example, can cause significant hidden damage.

As many Colorado Springs citizens learned last summer, natural disasters can occur quickly, and you may be forced to evacuate your home in minutes. Thus, it is a great idea to have an emergency kit stocked and ready to go. Helpful items to include are your homeowners insurance policy, cash, current medications for all family members, non-perishable food items (including for pets), clothing, blankets, a flashlight, and basic toiletry items, to which you can add important documents, photographs, and other valuables or sentimental items. Taking time to prepare beforehand makes the recovery process much more efficient and less stressful if disaster strikes!

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