

Damaged by the Santa Cruz storms? Tips from the pros on how to deal with insurance

Lookout Santa Cruz

Just days after the end of a historic series of damaging storms, Santa Cruz County residents are trying to pick up the pieces.

One of those pieces is navigating the world of insurance.

To help residents get started, several local organizations have hosted information sessions with San Francisco-based nonprofit United Policyholders — a group founded in 1991 that helps provide guidance on filing insurance claims after disasters.

“Storm damage insurance is tricky,” Executive Director Amy Bach said during an info session last week. She tuned in virtually to a group of about 15 people sitting in a room at the Live Oak Community Resources building run by local nonprofit Community Bridges.

Bach said it’s very common for people to immediately call their insurance company after their house was damaged and tell them what happened. She recommends people not to do that right away — though it’s OK if they did. Rather, she recommends folks read their policy first and do some rough estimating to know whether or not the damage will be more than the deductible.

“If the cost of the repairs is going to be less than your deductible, you really don’t want to even make a claim,” she said. “Why? Because every claim you make can put you in a higher risk category, which means you may end up paying more for your insurance in the future.”

Lookout talked to Bach this week about some of the most common challenges she’s seeing right now for California residents filing claims and what the nonprofit recommends for getting started. She said United

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Policyholders doesn't offer one-on-one assistance to individuals seeking help, but does provide online resources for navigating claims after a disaster.

High on her list for people is taking photos and videos of the damages before removing any items and drying out any property to prevent further damage.

"Everybody's still kind of pulling themselves back together," she said. "The situation is in flux. I think we'll know more in the next couple of weeks."

This interview was edited for brevity and clarity.

Lookout: What are the most common challenges people are facing right now?

Amy Bach: The most common challenges for people right now [who are] trying to get compensation from their insurance companies are that there are two major exclusions in homeowners insurance policies that are relevant to the types of losses people have suffered.

One is exclusion for flood damage, and the other is the exclusion for earth movement. It's very different from saying you know, you have a wildfire and if you have [fire] insurance, that covers the wildfire. But because of this flood exclusion, there's this major hole in what home insurance policies cover, and that really becomes apparent in a situation like this.

Now, if we lived in an area where flooding was more common, more people would have flood insurance. But hardly anybody in the impacted areas had it because for one thing, flood insurance is not mandatory. You don't have to buy it unless your home is located in a very-high-risk flood area. That makes this really, really challenging and sad. For most people, they don't think that they need it, and they usually don't, but then you have situations like this. It's crushing.

So the challenges are, No. 1, that insurance companies are poised to reflexively deny these claims. Their instinct is going to be to deny, and then it's on the homeowner to push and try to get a reconsideration. That's a reality. And another reality is, for various reasons, a combination of COVID and our economy and disasters all over the country, insurers are a little short-staffed, so getting an adjuster out sometimes can take longer than it should. That's just a marketplace reality. It's not fair. It just is.

And the adjusters who are out there — and this is kind of a trend in the insurance industry, like in a lot of U.S. corporations — [have] laid off their older workers, the higher-paid older workers. Try to hire younger people who will work for lower salaries, and then they have all these inexperienced people as adjusters.

This perfect storm where you have not enough adjusters, not enough experienced adjusters, and then you have these exclusions. And then on top of all that, the tendency of inexperienced adjusters is to err on the side of caution to please their employer and say, “no, no for this.” The conditions are not that favorable for the homeowners to get money from their insurance companies, with a couple of exceptions.

Lookout: What are the exceptions?

Bach: There are two. One exception is, if your home got wet. If there is evidence that there was a break in the building envelope — that it was wind-driven rain, not flood, you have that argument. If you can show that there was a window where water got in or there was wind that tore off a shingle and so then water got in that way or the wind drove the water in through some eave or something like that. Those are some arguments.

For your readers, this is about self-empowerment and trying to be your own best advocate, and using the free resources that we have on our website, but understanding that is an uphill battle.

But for some people, they want to get professional help and the options are a public adjuster or a lawyer. In this situation, some people who are going straight to lawyers, it’s because there’s so much money in issue. It’s one thing if you have like, you know \$15,000 or \$20,000 worth of damage, but for a lot of people, you’re talking about hundreds of thousands of dollars in damage if the earth moved, and their house is either off its foundation or a retaining wall failed — and then took out their backyard and three of their neighbors’ backyards.

People are going to try any route they can to try to get help. So going to a lawyer is an option some people are pursuing. Then for other people, anybody who lives near a wildfire burn scar, is there a connection between fire and what has happened in my neighborhood?

You can do the research on your own to a certain degree. [You can] understand where the fire scars were and whether you’re downslope from the fire scar. If you know for a fact that you’re downhill from a burn

scar, then there's a pretty good chance that there is a connection.

[Fire exception: California Insurance Commissioner Ricardo Lara alerted insurance companies earlier this month "reminding them of their legal duty to cover damage from any future mudslide or similar disaster that is caused by recent wildfires that weakened hillsides." His notice says that under the "efficient proximate cause" doctrine created by the insurance code, insurance companies that exclude mudslides from their coverage must in fact cover damages if the damage was caused by a wildfire.]

Lookout: What are the some basic tips for Santa Cruz residents just getting started on recovery?

Bach: First thing is to do your best to dry out your property and stabilize it. Be safe and recognize that most people are going to have a fight with their insurance companies to get them to pay for the damage. Therefore, the prudent thing to do now is to try to prevent further damage as much as you can. And then work on getting good estimates and finding out what it's going to take to replace, restore and remediate and prevent mold from developing. If you have a place that you can stay if your home is not habitable, try to get sleep. Be calm and focus on figuring out financially what you're going to have to find money to cover; how much are these repairs going to cost? Then your options will be fighting with your insurance company, taking out a [Small Business Administration] loan, applying for a home equity loan, or applying for an Individual Assistance grant [from the Federal Emergency Management Agency] and or getting charitable aid.

To find more information United Policyholders has compiled on recovery from the California storms, click here.

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