

Dehumanizing and Traumatic: Underinsurance Following a Major Disaster Can Be a Daunting Hill to Climb Alone

Yellow Scene Magazine

Insurance companies have resisted changes to the industry that would benefit survivors of natural disasters, making it more difficult for homeowners facing this dire situation.

The second moment of trauma

There is another looming moment not often talked about that comes in the wake of disaster — that sinking feeling when hope fades and reality of an uphill battle sets in. There is no going back. Unfortunately many families had to experience this feeling of helplessness and loss yet another time following the Marshall Fire when insurance didn't adequately cover the damages wrought by Mother Nature. Surviving a natural disaster is traumatic enough. Discovering your insurance won't fully cover the costs of the damage is a whole new hurdle, but it can evoke the same feelings of loss, helplessness, and insurmountable odds.

The danger of living in a place with such stunning natural beauty is understanding that nature cannot be tamed, controlled, or even predicted at times. We value our open spaces, our mountain views, and the forests of trees that can bring such tranquility to everyday life in Colorado, but existing this close to nature has its occasional drawback when fires or storms have other plans.

Buying insurance is almost no one's idea of a fun time. Going over specifics and details to be worked into a contract with your agent can be time consuming and tedious. It is so much easier to simply enter some basic information about your home and let a computer program run the numbers. It is so much more tempting to go with the easiest or cheapest insurance option, forgoing coverage that may never be

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needed for the sake of efficiency. Getting into the weeds of every item in the home that has value, double checking calculations, and obtaining multiple quotes from adjusters take time and resources not readily available to everyone.

Unfortunately so many residents found out — in the hardest way possible — their insurance did not cover the total loss of property in the Marshall Fire. Even homeowners who had the extra time to spend on their insurance when first moving into their house may have at one point rejected a coverage increase. Some of our rural residents have added to their homes or built additional structures to better suit their needs. Additionally, building codes may have changed since the home insurance was first purchased which may affect payout if new codes were not addressed. Not everyone is aware of the exact coverage needed for their specific situations. Any of these events would have resulted in insufficient coverage.

The non-profit organization United Policyholders' website explains, "If you refused to follow recommendations from your agent or insurer to increase your limits, or if you have made major improvements to your home without notifying your agent or insurer, it is unlikely your insurer will agree to pay above the amounts stated in your policy contract."

United Policyholders goes on to define what underinsurance means: "When you're underinsured there is a gap between the actual cost of replacing your destroyed home or business and the available insurance benefits in the policy that was in force at the time of loss."

That's when despair can strike again. It is daunting beyond belief to have lost your home and possessions. It becomes dehumanizing to also be informed that your insurance will not cover the total loss. Homeowners facing this situation are looking for empathy, support, and assistance but are instead faced with the cold hard facts that money rules the day. Insurance agencies exist, like so many of our institutions, to make a profit. It is not profitable to cover the complete loss of numerous homes, and the agencies bank on this unlikely event never happening when they issue insurance. That all means when disaster does strike, homeowners need to be prepared to fight another battle once the initial dust clears. It also means that as the climate shifts to become more unpredictable and more devastating, total loss events are more likely to occur.

The good news is that underinsurance can be rectified — under the right circumstances. Even though

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your insurance policy is a legally binding document, some things can still be amended or adjusted after the fact for those who are persistent enough and have some support from advocate groups, lawyers, and the time to spend fighting.

Contracts and contractors

Insurance agencies present themselves as experts when a home or business owner works with them to establish a policy. The cruel irony is that in the event of loss, the property owner must now become the expert in finding ways to advocate for themselves and understanding the full nuances of their coverage. Knowing what avenues to pursue and who to turn to can be half the battle.

Reading insurance policies often brings about that glazed-over look, pages on pages of minutiae and details nearly incomprehensible to the average person. “Legalese” is a term colloquially used to describe the detailed and specific language that contracts use. Simply interpreting what a policy fully entails can require someone with specialized skills.

Attorneys often get a bad rap, but this is a time when you will need someone in your corner fighting for you. Finding the right lawyer for your needs can help immeasurably. In some ways, it can be like dealing with the police. Do not have your insurance company take a statement or interview you without consulting with a lawyer. You can accidentally limit your coverage by saying the wrong thing to the right person. Insurance companies know how to protect themselves and as a homeowner or business owner facing a total loss, you do not want to limit your coverage by misunderstanding or simply misstating a basic fact. It is difficult to comprehend and communicate in legalese, so having an expert on your side when attempting to negotiate with a corporation can be immensely helpful.

You wouldn’t fight the fire on your own, you don’t need to fight insurance companies on your own either. Lawyers don’t have nearly the reputation that firefighters do, but in this case they are crucial to navigating the complex system. It may seem like an uphill battle — because it is — but insurance companies often count on homeowners becoming frustrated and giving up hope instead of pursuing a fight for fair coverage. This can seem cruel, forcing disaster survivors to fend for themselves, but it is the nature of the business in many cases.

Another separate but related stress to deal with is contractors who inflate quotes post-disaster in order to

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take advantage of those in desperate need. Unfortunately, there is no statewide database for licensed and bonded contractors in Colorado. Each municipality must independently verify a contractor's information is up to date. Fortunately, this has not been as widespread of a problem as it could be according to our conversation with Garry Sanafaçon, recovery manager for Boulder County.

Always make sure your contractor is licensed and registered in Boulder County. It may be cheaper to go another route, but you as a homeowner would be left with huge costs and liability you had no idea existed. Licensed contractors have liability insurance that covers any injuries or post-construction failures that could possibly occur. Certain contractors may advise homeowners into signing as owner-builder so as to remove this liability, claiming that it will save money. In the short term, they are correct. It can save you money, but in the long run it can leave you with liability and debt if work is performed incorrectly.

Your recourse for poorly completed work, unfinished jobs, or disappearing contractors vastly increases when you hire a licensed contractor. You can report them to the municipality where they operate, which may cause them to lose their license if their violations are egregious enough. This is a much more effective way of holding them liable than simply leaving a bad Yelp or Facebook review.

Taking the human out of the equation

The way insurance works, it is in the best interest of agents to get you to sign up. These tactics can make them offer you less insurance coverage for a lower cost if that's what it means to get you to use their services over competitors. Reducing your entire life's possessions to numbers can seem dehumanizing — because it literally is. Computer software is most likely responsible for what insurance policy you have for your home.

Insurance companies use software programs to issue insurance claims. They input data provided by the homeowner, and the computer tells both parties what insurance is needed. Homeowners need to be as detailed as possible in order to get the right coverage. This is the time to be meticulous, dive into details, and possibly save yourself a huge hassle on the backend if, God forbid, anything should ever happen.

Sanafaçon told us that “the insurance companies use software to estimate, and just like anything, it's only as good as the data you put in.” The more detailed and specific you can be when signing up or renewing your policy, the better the outcome will be when disaster strikes.

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Many agencies do not want the general public to know that it is possible to fix underinsurance after the fact in certain circumstances. If underinsurance was no fault of your own, for example you believed you were fully insured when in fact you were not, there is still a path forward.

Insurance agencies often have homeowners sign agreements not to discuss the amounts above their policy that were successfully negotiated, which stifles word of this process getting out. Instead, stories of homeowners not being able to fight their insurance companies dominate the news and can create a feeling of helplessness for others in the same situation.

Amy Bach, executive director of United Policyholders, told YS that unfortunately, “disclosures don’t solve the problem.” Bach stated that your best bet is to “find a good agent, spend time with them explaining the features of your home, and when they generate a quote — which they will do using a replacement cost estimating software provided to them by an insurer — get a second opinion, the software chronically skews low.”

“Don’t trust your insurance company is going to take care of you when you get a renewal,” Sanafaçon warned. He also advised to “ask your insurer to put in writing that you are adequately covered, which they’ll never do, and the other is to actually do your own calculations.” To begin, he shared, “talk to construction experts or general contractors in your area who know what kind of house you have and what it costs to rebuild.”

Rectifying underinsurance

One suggestion when facing underinsurance is to band together with other home and business owners who have policies from the same company. Strength in numbers allows victims in similar circumstances to find what strategies work best, consistently move up the chain of command, and offer comfort and support knowing that you are not alone after facing such a loss.

United Policyholders provides a comprehensive step-by-step plan on how to start dealing with underinsurance after disaster strikes. The first and most obvious is to identify any errors in the policy itself. This does not happen often, but finding a mistake like incorrect square footage can get your foot in the door and open up more avenues for collecting the money you will need, as long as the error is not on your end.

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Another crucial step can be to have an “independent scope of loss from a qualified professional on the total cost of replacing your home with one of like kind and quality, to current building codes,” UP’s website states. There is a cost associated with hiring a professional to do this, usually a few thousand dollars, but the benefits can be immeasurable, not just for covering your monetary losses but for the peace of mind that you have adequate coverage.

Finally, another route that should be considered after a major natural disaster is to name and shame insurance companies that are not living up to your expectations and making things more difficult for you and other survivors. The media or your local government representatives can be avenues to publicly express your frustration and disappointment of the company’s customer disservice. Bad press and media coverage of difficult insurance companies can cause higher-ups at said company to reconsider their approach if it may affect their bottom line. Unfortunately our society runs on dollar signs. There is also the option of applying for the FEMA Individual Assistance Program, which can help cover the gap between what you need and what insurance will provide.

There are remedies for overcoming the second-time trauma hits, but they are not quick or easy. On a state level one remedy could be “legally requiring insurers to calculate RCV (replacement cost value) accurately before they issue a policy and holding them responsible for retroactively increasing the policy limits if they turn out to have projected low is the key, but insurers resist having the law state that,” Bach explained.

Reaching out for resources, connecting with other survivors, and pursuing all available options for help can be exhausting. Ultimately, similar to working on personal trauma, success may depend on resources available to each individual and the persistence to put forth the effort. Sadly, we are unlikely to see any state-wide initiatives that deal with the underlying problem. “I’ve presented before state regulators on underinsurance many times over the years, but I don’t know of a current initiative on point, other than the constant attempt to mandate disclosures,” Bach revealed. It might be time to put pressure on lawmakers to better regulate insurance agencies so that the unexpected — and unthinkable — do not have to occur twice for disaster survivors.

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