

[Insure Your Home Against Natural Disasters](#)

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In the aftermath of Hurricane Sandy, hundreds of thousands of homeowners will be filing claims for compensation for their losses. They could be facing a second disaster if their homes weren't properly insured for wind and flood damage.

Approximately two-thirds of homeowners are underinsured for a natural disaster, according to United Policyholders (UP), a nonprofit and advocacy organization for insurance consumers. Many homeowners who suffered a total loss will find themselves in that group. "When insurance kicks in for a total loss, it's often like a faulty car: It gets road-tested and things start flying off, the parts don't hold up, and everything breaks when it gets driven at a fast speed because it wasn't built right," says Amy Bach, UP's executive director.

Bach says a number of homeowners without insurance assume a natural disaster will never happen to them. "It's human nature to live in a state of denial," she says.

To make sure your home is protected, review these common disasters and how to prepare for them:

Floods. Standard homeowners' insurance doesn't cover flood damage—people need to apply for a separate policy through the government's National Flood Insurance Program (NFIP). The average flood insurance policy costs about \$600 per year. But that price tag is often worth the investment, as the average residential flood claim from 2007 to 2011 amounted to almost \$30,000.

But Hurricane Sandy complicates things for the NFIP. Prior to the hurricane, the program had already borrowed \$18 billion to pay for flood-loss claims, and there's currently a \$20.8 billion government-mandated cap on the amount of money it can borrow from the U.S. Treasury. If claims from Sandy exceed \$3 billion, the Department of Homeland Security would need permission from Congress to grant the program more borrowing power.

Fortunately for homeowners, Congress also mandates government-regulated mortgage lenders require homeowners living in high-risk areas to have some sort of flood insurance. However, Mark McGillivray, senior vice president of claims at Allstate Insurance, says people in low- and medium-risk areas should also consider purchasing flood insurance, as more than 20 percent of NFIP claims are filed from those sectors.

Peter Lore, Nationwide's associate vice president of property claims, warns there's typically a 30-day waiting period for coverage, meaning you can't get it at the last minute before a big storm.

You can plug in your address at [FloodSmart.gov](https://www.floodsmart.gov) to determine how much your home is at risk for flood damage.

Wind. Coverage for wind damage is generally part of standard homeowners' policies, but that's not necessarily the case in certain areas prone to wind damage. Exceptions to the rule include parts of coastal states like Texas and Florida, where homeowners have to buy a separate policy. Ask your insurance agent if this applies to you.

J. Robert Hunter, director of insurance for the Consumer Federation of America (CFA), says people may overlook hurricane deductibles. When a storm is declared by the National Weather Service as a hurricane, special deductibles can apply for resulting damage. These deductibles aren't typically a set dollar amount, but are usually 1 to 5 percent of the property's value. However, in states such as Florida, the deductible can climb as high as 10 percent.

Fortunately for victims of Hurricane Sandy, the governors of New York, Connecticut, and New Jersey decided hurricane deductibles won't kick in.

Earthquakes. If you want earthquake coverage, you'll need a freestanding policy, as it's not part of homeowners' insurance.

In California, most people who purchase earthquake insurance buy it through the state's California Earthquake Authority. But these policies come with high deductibles of 10 to 15 percent of the home, which is a deal-breaker for more than 80 percent of the state's residents, says Michael Barry, vice president of media relations for The Insurance Information Institute, which aims to improve public understanding of insurance.

UP's Bach says homeowners contemplating whether to buy earthquake insurance should base their decision on the soil conditions of the property, how the home was built, and the age of the house.

Fires. Standard homeowners' insurance covers fire damage, but the extent of the coverage varies. However, the process for filing a claim is the same: The insurance agent will send an adjuster to assess the damage and then the company makes an offer for reimbursement.

If you're not happy with that figure, you can use a public adjuster, who will survey the home and then try to negotiate with the insurance agent for a fairer price. But a public adjuster will take a significant chunk out of the settlement—usually 10 to 15 percent.

To avoid paying that high fee, consider reaching out to your state's insurance commissioner's office, which can help ensure you're getting a fair deal. If you still go with a public adjuster, check with the commissioner's office to confirm the adjuster is licensed.

In the event of a total loss, your insurance should cover the cost of building a new home from scratch using comparable materials. While the home is being built, traditional policies require the insurance company to cover living expenses for a certain period of time—usually up to 12 months.

As for your possessions, the best way to recoup losses is to get guaranteed replacement coverage. It'll cost extra, and many companies no longer offer it, but replacement coverage means the insurance company would compensate you for damaged or lost items at their current value without depreciation. So if you bought a TV for \$300 and the same set costs \$500 today, you'd get the full \$500.

Dealing with insurance agents. While a lot of insurance companies are trustworthy, some may try to take advantage of customers—especially if they're filing a big claim.

If you're having trouble with a claim, CFA's Hunter recommends asking the insurance company to send you—in writing—the reason they're not offering what you think is the right amount and the part of the insurance policy they're citing. He says this positions you well in two ways: "Once they tell you their reason, they're locked into it and can't change it. The other benefit is if there's any ambiguity in the language of the policy, the court would decide in your favor."

The bottom line. "Insurance is one of the most important products you can buy. Any yet, it's so



confusing,” Bach says. The more you educate yourself about what kind of insurance you need, the safer your home will be—especially if another Hurricane Sandy should strike.

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This article was also published on Yahoo! Finance.

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