Preparing Financially, Before the Storm Hits

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With the cost and frequency of weather-driven disasters on the rise, taking steps to be ready is more crucial than ever.

As a lifelong resident of Lafourche Parish in southern Louisiana, Jeanne Gouaux knew the storms that cut through the region demanded preparation. She had wind and hail insurance, a solid savings account. But it wasn't until Hurricane Ida's 150-mile-per-hour winds peeled back part of her roof last August that she experienced the fury — and its aftermath — up close.

"In a matter of one day, one storm came through and knocked out everything I worked so hard for all these years," said Ms. Gouaux, a single mother of four and director of pharmacy for a surgery center near her home in Lockport, La.

With the cost and frequency of weather-driven disasters on the rise, girding your financial house for such a catastrophe — to the extent that you're able — is increasingly crucial in parts of the country.

The statistics are striking. Over the past 42 years, an annual average of 7.7 weather-related events caused at least $1 billion each in damage to residences, businesses and municipalities, according to an analysis by the National Oceanic and Atmospheric Administration.

But from 2017 to 2021, the average was 17.8 such events per year.

A meaningful part of that increase can be tied to a growing population: More homes, property and infrastructure have become exposed to these weather hazards, and a lot of the growth has occurred in vulnerable areas, sometimes with building codes too weak (or simply unenforced) to withstand damage.

But climate shifts are "supercharging the increasing frequency and intensity of certain types of extreme weather that lead to billion-dollar disasters," said Adam Smith, the climate scientist who led the NOAA analysis, “most notably the vulnerability to drought, lengthening wildfire seasons in the Western states and the potential for extremely heavy rainfall becoming more common in the Eastern states.”

“It hints that the extremely high activity of recent years is becoming the new normal,” he added.

Ms. Gouaux, 45, had a bad feeling about Ida. In a prescient move, she packed up her family and, for the first time, left her home before the storm hit.

The damage to her one-story brick house was extensive, forcing Ms. Gouaux to couch-surf with her three teenagers and, for a while, her oldest son. They later settled into a camper in their yard — first, one lent by a friend and then one provided by a state program — while the home was gutted and repaired. Only in June, after 10 months, was the family able to partly move back in. With the house incomplete, meals are still cooked in the camper.

Yet in some ways, Ms. Gouaux was fortunate. Her paychecks arrived uninterrupted, even though her employer had to shut down for four months. But there were several things she would have done differently — like taking her box of important financial documents with her when she fled — and others she couldn’t possibly control.

Her wind and hail insurer went bankrupt, causing the state guarantor to take over claims, gumming up an already slow process. It took nine months to collect her first insurance check.

Not all households have the wherewithal to prepare themselves for the worst. But there is some safeguarding that everyone can attempt. Here’s where to start:

Assess risks. A variety of online tools can provide a starting point for assessing your home’s risk to earthly hazards.

Risk Factor has created a user-friendly tool that outlines flood, fire and extreme-heat risks (and soon other perils, including wind) for most homes across the country. Plug in an address, and it drills down to the property level, illustrating potential hazards. For example, it can show the probability that a property might flood, where the water is likely to pool, the damage it might cause and how much repairs might cost.

“Not only do we look at your risk today, but we also look at how it’s changing,” said Matthew Eby, founder and chief executive of First Street Foundation, the research and technology nonprofit behind the tool, which attempts to measure climate risks.

The United States Geological Survey has hazard maps for earthquakes, while the Federal Emergency Management Agency and the National Flood Insurance Program maintain flood maps (which also determine whether a home with a federally backed mortgage is required to have flood insurance). The flood program has recently overhauled its rating methodology, called Risk Rating 2.0, but you’ll have to contact a flood insurance agent who can share more about your property’s unique risk, said Jeremy Edwards, a FEMA spokesman.

You may be able to find more local hazard information, too. Californians, for example, can enter their address into the MyHazards website. And if you’re new to a community, talk to neighbors.

Mitigate potential damage. Once you have a better idea of the risks, there may be things you can do to minimize damage if a flood or fire strike. The costs of mitigation will vary, but it may reduce your insurance premiums. Some insurers, for example, provide meaningful discounts in hurricane-prone regions after homeowners install roof braces or straps, said Alyssa Bourgeois, an insurance producer with MarshMcLennan in Metairie, La.

The Risk Factor website provides suggestions for hazards facing specific properties, and many regions have programs offering residents financial help to harden their homes against specific hazards, though funding is often limited.

Evaluate insurance needs. The insurance market varies greatly by locality and the hazards inherent to the area. Standard homeowners’ and renters’ insurance policies do not cover all hazards. Floods and earthquakes always require separate coverage. Wind and hail (hurricane) coverage may carry its own deductible as part of your homeowners’ insurance, or it may be a separate policy, at least in certain areas. Wildfires, meanwhile, are often incorporated into many policies, experts said.

“It is really important to become familiar with the specific risks of your region and to understand the coverage that is and is not included in your home insurance policy,” said Douglas Heller, director of insurance at the Consumer Federation of America.

Flood insurance (see Ann Carrns's guide here) is generally available through the National Flood Insurance Program, which FEMA manages. Most Californians buy earthquake coverage through the California Earthquake Authority, a nonprofit entity created through state law to provide policies through its member insurers.

In most cases, you want to buy enough coverage to replace your property — that is, to rebuild it, not what you'd pay to buy it again, said Amy Bach, executive director of United Policyholders, a consumer advocacy group.

But many households in the highest-risk areas, including hurricane-prone states like Louisiana and Florida, are having trouble finding affordable coverage as insurers exit the market in droves.

Jude Boudreaux, a financial planner in New Orleans, said he receives calls weekly from clients questioning whether they should continue living there given the increased insurance costs. "A lot of carriers are leaving Louisiana, so people with policies are getting nonrenewal notices, and there are fewer choices out there," he said.

Until rates stabilize, many people are resorting to the usual strategies to keep costs manageable, like increasing deductibles and reducing some coverage, including on "other structures" such as garages and personal property.

Read new and existing policies closely. One oversight likely cost Ms. Gouaux thousands: She hadn't realized her wind and hail policy wouldn't pay to replace the destroyed content of her home, but would instead provide its depreciated value. As a result, the insurer calculated her loss at $26,000, but she received only $14,000. The lesson? Always choose "replacement value" coverage where you can.

And don't forget about cars and other vehicles. Comprehensive auto coverage, required by auto lenders, generally provides protection against natural disasters. But older, low-value cars may not have comprehensive (and it may not be worth the cost anyway). "In those cases, we'd recommend setting aside the amount of the premium you'd pay each year into a savings account instead of giving it to the insurer," Mr. Heller said.

Take inventory. Creating an inventory of your home's contents can maximize what you'll receive when filing a claim with your insurer. A variety of tools can help. United Policyholders has a home inventory spreadsheet, the National Association of Insurance Commissioners has a related app, and there are other inventory apps as well.

The least time-consuming method might be to walk through each room of your home with your mobile phone's video camera, narrating the contents along the way. Don't forget to open up closets, cabinets and drawers, as well as storage spaces and the garage. Then email the file to yourself, or store it securely online (and perhaps on an external hard drive).

There's real money at stake: Ms. Gouaux was able to recover only roughly $14,000 of the $53,000 in contents coverage on her wind and hail policy.

"The night we left, someone posted: Make sure you take photos of all the rooms," she said. "We didn't do a good job. By the time we got back, everything was all over the place, and it was very hot."

Protect valuables. If you have expensive collections or valuables (fine art, instruments, jewelry), you might consider a personal articles policy — which generally covers all risks — since many homeowners' insurance policies cap coverage.
Collect and safeguard key documents. Keep all important documents — wills, advance directives, insurance policies, Social Security cards, birth and marriage certificates, passports, tax returns — in a fireproof and waterproof box. Consider storing electronic copies on an external hard drive (using password protection) or in the cloud.

FEMA's financial emergency kit has an exhaustive check list of what to gather and protect, along with a 41-page emergency financial first-aid kit that can be filled out online and stored in a secure place. The American Red Cross has a version of its own.

If you have to leave your home, experts suggest taking key documents with you in case you need to file a claim with your insurer or apply for FEMA assistance.

Keep emergency funds. Having access to money for any basic needs is also something to consider. If there's no electricity and A.T.M.s aren't working, you'll probably need cash. Stash some in a safe place.

And if you receive any federal benefits through paper checks, now is the time to switch to automatic electronic deposits. Ditto for any other payments you may receive by mail.

In the absence of longer-term emergency savings accounts, think about what else you might tap if you absolutely had to. People with home equity lines of credit might set aside some capital for safekeeping, before lenders potentially freeze the lines.

“I would transfer some of that over as the storm was approaching and pay interest for a few days,” Mr. Boudreaux said. “If all is well, you transfer it back. What it costs you is a few days of interest. ”

Roth individual retirement accounts can double as emergency accounts since contributions can be withdrawn free of tax and penalties, but you may not necessarily be able to put the money back. Use 401(k) plans and related accounts as a last resort, since hardship withdrawals will be subject to income tax and a 10 percent penalty, unless Congress enacts special relief. Another possibility are 401(k) loans.

Envision evacuation and what you would take. Mr. Boudreaux, who has lived with the threat of hurricanes for most of his life, said to walk through your home and think about what’s irreplaceable — it probably fits into a plastic box.

“Define what those things are, or create a list so if someone knocked on your door and said, ‘The fire is coming in 30 minutes’ — what would you take?” he said. “It’s also good life perspective exercise.”