

What to know about home insurance coverage after a major natural disaster

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It's one thing to fix your home after something basic has gone wrong, but it's a different beast to rebuild and recover after a major natural disaster has destroyed multiple properties on your street, in your neighborhood or across the region.

Don't wait until you're in crisis mode to figure out what to expect. It's important to understand your benefits and rights when it comes to home insurance in the event of a widespread emergency.

What kind of coverage matters

Insurance is meant to cover what you lost, but that can mean two very different things.

If you do nothing else, check your policy now to see if you have "replacement cost value" coverage. That's the comprehensive standard, which will grant you the amount of money needed to get a new replacement of what you lost in case of a major disaster like a wildfire.

If you have "actual cash value" coverage, that means the dollar limits listed are only intended to cover the value of what you lost, which factors in depreciation at the time of the event.

Amy Bach of the consumer advocacy group United Policyholders says the two are apples and oranges in terms of payouts. She describes it this way: "Actual cash value is the Craigslist price. It's not the replacement cost price."

Advanced payments in the early days

From finding a new place to live to buying yourself clothes and toiletries, it's expensive to survive the

immediate aftermath of an emergency, so get familiar with any state laws regulating insurance companies on advanced payments.

For example, California, which has some of the strongest consumer protections in the nation, requires insurers to quickly pay out up to \$250,000, or the equivalent of 30% of the policy's dwelling coverage limit, when a state of emergency has been declared and the home is known to be a total loss. This is considered an advanced payment, which doesn't require the homeowner to first itemize all their destroyed belongings or wait for an adjuster to access the site of the property.

If you aren't able to connect with your insurer, look for emergency response centers in your community, which should provide state and federal troubleshooters to assist. They may also have information on what other aid, grants and subsidies are available to you in conjunction with or separate from your insurance benefits. Local businesses may also be there to offer freebies such as furniture or clothing.

Think about the rebuilding timeline

You will likely be displaced for months, or even years depending on how widespread the disaster was. For major wildfires, cleaning up the toxic burned site can take just as long as the entire new construction effort.

And during that time, you must continue to pay the mortgage on a property you can't occupy.

Property insurance generally refers to the cost of living while displaced as "loss of use" coverage, which is also sometimes known as "additional living expense" or "fair rental value."

Check this line item to ask yourself if you would have enough to get by paying for both your mortgage and a temporary rental.