

How to Avoid Financial Disaster

And Get the Most From Your

Homeowners Insurance

After Disaster Strikes

As Texans clean up from Hurricane Harvey and Floridians brace for Hurricane Irma, this is an opportune moment for all homeowners to know how to get every dime they're due when filing a homeowners insurance claim.

The best way to learn is by watching a pro, like Justin Rubin, a retired insurance-claims executive from New York. Justin's expert advice was battle-tested by Superstorm Sandy, which ripped through his home in October 2012.

His wife, Judith, was the first to hear an odd noise coming from their basement garage as the couple waited out Sandy in their Long Beach, N.Y., home. Justin went to investigate. "There was water a foot deep," he said. "Then I noticed that the laundry sink was overflowing with filthy water."

Justin saw water pouring in through spaces between the garage door panels, and he tried to dam the entry points with clothing stored in plastic bags. But like Leonardo DiCaprio in the movie "Titanic," Justin suddenly found himself waist-deep in chilly brackish seawater until Judith, his Kate Winslet, pulled him back up the cellar stairs to safety. Their hearts were pounding.

"The water kept coming up," Justin said. It eventually stopped at a height of 5 feet 6 inches. "I've never been as scared."

Here's how the Rubins (shown below) swam through the riptides of homeowners insurance and cobbled together a respectable recovery package.

1. Understand potential damage costs. The Rubins' simple two-and-a-half-story house is something of a fortress. Built in 1949 of 6-inch-thick, steel-reinforced concrete rather than a wood frame, it qualified for a masonry home-insurance discount. The Atlantic Ocean, 14 blocks south, and the calmer Reynolds Channel, which separates their town from Long Island, were unlikely to move the house anywhere.

But the ground the house was built on is only 8 feet above sea level. And when Sandy hit, a 17.5-foot storm tide in Long Beach destroyed everything in the basement and garage, down to the wood studs in the walls and including the electrical system, the furnace, appliances, furniture, and storage items. The damage added up to \$80,000.

“The entire event was a monumental emotional drain,” Justin said. “Seeing our home uninhabitable, realizing how much time, money, and energy would be required to ‘get back to normal,’ and finding a shortage of capable contractors created such a feeling of helplessness. My wife and I often found ourselves just staring across the room and wondering if we’d ever get back to the comfort of our old home.”

There was also a paradoxical quality to the difficult and vulnerable situation Justin and his wife suddenly faced: Justin had a 40-year career in casualty insurance claims, the last 20 as an executive.

Protect yourself. Justin says he considers homeowners insurance one of the necessities of life: “Food, shelter, clothing, and insurance.” Every few years, he says, you should ask your insurer or independent broker for a customized estimate of your home’s replacement cost.

Then make sure you buy full replacement-cost coverage, an “extended coverage” rider, which adds up to 30 percent on top of your replacement-value limit to cover the surge in material and labor prices that often follows a natural disaster, and an ordinance or law endorsement rider, which pays any extra cost of rebuilding your house to comply with current local building codes.

2. Cover all of your risks. A major hole in every standard homeowners policy is the absence of coverage for flooding. Judith and Justin knew this, of course, and had separate flood insurance. But their policy was limited to \$19,500 for damage to the house and \$9,500 for the loss of its contents.

When the Rubins took out a mortgage 44 years ago in 1973, buying flood insurance wasn't mandatory. But by 1989 or 1990 their bank had begun to require it, and the Rubins did what a lot of homeowners probably did. "I said fine and bought the minimum," Justin said. "It was dirt cheap, \$250 a year, and I paid no attention to the very small limits because I thought I'd never use it."

That's not as unreasonable as it might sound. Justin lived almost all his life in Long Beach, where major hurricanes are relatively uncommon. He never incurred any losses from any of the cyclones that made it that far north, although there was one nor'easter in 1992 that dumped 16 inches of water into the basement. But that caused only minor damage.

"Sandy was a totally different kind of storm," Justin said. "I had never experienced a storm surge like this." The Rubins collected \$19,900 for flood damage to their house and possessions, the limits of their policy.

Protect yourself. You can buy flood coverage from private insurers through the National Flood Insurance Program for up to \$250,000 (replacement value for the structure) and up to \$100,000 (actual cash value for your personal possessions). Talk with your agent. He or she can usually sell you NFIP coverage, but it might be pricey due to recent changes in the program.

If your home is subject to other perils not covered by your standard policy, including earthquakes and hurricanes, you should fill the gap with additional separate policies, typically sponsored by state government agencies.

3. Be ready for a fight. Our 2016 survey of more than 7,400 subscribers who filed a homeowners insurance claim in the previous three years found that the bigger the losses, the more hassles homeowners encountered during the course of their claim. About 31 percent of claimants with losses of \$30,000 or more ran into at

least one problem, including disagreements over damages, disputes about coverage, delays, and slow payout, our data found, vs. only 20 percent of filers with claims below that threshold.

Justin, who said he preferred not to name his insurance company, ran into the same trouble. The insurer cited the policy's flood exclusion and denied the claim. But the retired insurance man remembered his harrowing experience in the basement and countered that the water rising up from the laundry sink happened first and that it was caused by a sewer backup, for which he had an endorsement.

"I knew there was no way they could prove where the water came from first, and I was down there and saw it come up from the sink originally," Justin said. "I didn't lose my temper. I just laid out the facts." The insurer changed its standard position

and sent the Rubins a check for \$5,000, the endorsement limit. The company also paid \$1,400 for the loss of a quarter of the house's shingles under the wind coverage portion of the policy.

That brought the Rubins' recovery total to \$26,300, about one-third of their losses.

Protect yourself. Standard policies don't cover damage caused when your sewer backs up and floods the inside of your house, so you should buy a separate policy or endorsement to add that coverage, typically for \$40 to \$50 per year.

Use your smartphone to report the loss verbally as soon as possible, and use your cell-phone camera to take photos and report the loss using your insurer's claims-filing app. If the adjuster says your policy doesn't cover certain damages, ask to see the language exclusion or limit in writing. If the damage estimate or settlement offer is too low, ask your contractor for help in persuading the adjuster that higher numbers are justified. Still disagree? Get a second opinion from another contractor. If you're still at an impasse, consider hiring a public adjuster, which you can find at napia.com, the website of the

National Association of Public Insurance Adjusters. Look for references, several years' experience, and a state license if required.

4. Don't forget living expenses. Homeowners insurance also paid the Rubins \$5,600 for hotels, meals, fuel, a rental car, and various other living expenses because the house was unlivable without water, electricity, and heat, and because both of their vehicles had been destroyed. Their daughter and son-in-law put them up in their house 25 miles away. "Thank God I had a place to go," Justin said. "Other people didn't have family to fall back on."

He also filed a claim with the Federal Emergency Management Administration, which denied his request because the couple had homeowners and flood insurance. But FEMA did direct-deposit another \$5,700 into the Rubins' checking account for living expenses within 10 to 12 days. "That came in handy," Justin said. "I needed that money."

With the living-expense payments, the Rubins had recovered \$37,600.

Protect yourself. Don't overlook the additional living expenses benefit, which is a percentage of your coverage limit and, in the Rubins' case, was automatically payable. If you have to live somewhere else, check to see if you qualify for this benefit under your specific policy, even if you're staying with family who don't charge hotel and restaurant rates. And ask your adjuster whether you need to keep and file receipts to collect this payment.

5. Navigate aid programs. A couple of big losses slipped between the cracks. A flood-damaged whole-house generator that was powered by natural gas and two central air conditioning units weren't covered by the homeowners policy. They weren't covered by flood insurance either, because they were—where else?—outside the house.

That might have been \$17,000 down the tubes, but then Justin heard about the Sandy Help-New York Rising Housing Recovery Program of federal aid. He applied online, and the program paid for part of the generator and air conditioner losses and for other damage. In all, the aid brought their recovery to \$55,600, almost 70 percent. That left them with a \$24,400 net loss.

Protect yourself. When there are widespread losses, keep an eye on the news for relief programs and jump through all of the necessary hoops to qualify and apply.

6. Prepare a proper inventory. Justin and Judith kept their insurance policies, bills of sale, receipts, and other records neatly organized—but in the basement that got flooded. The wet papers were a mess in Justin’s hands when he went to review them. “Insurance experts advise all the time, keep your documents in a safe place, not in the basement of a house on a barrier island,” he said.

Protect yourself. Make an inventory of your possessions using free apps offered by Allstate (Digital Locker), Liberty Mutual (Home Gallery), and other insurers. State Farm customers can access the HomeIndex inventory tool free on its website. You can take photos of each item with your cell-phone camera, and storage on the cloud will ensure that the information won’t be destroyed in a major disaster.

7. Have a ready cash flow. Insurance settlements aren’t always paid quickly or even in full, so when you need to purchase materials or hire contractors before your insurer pays, you’ll need to have a cash flow. “I was using my credit cards like crazy,” Justin said.

But he doesn’t like to carry a credit-card balance, so he tapped his retirement savings to pay them off. In the meantime, other insurance details kept taking money out of his pocket, including five separate \$1,000 deductibles: two for building and contents flood insurance, two for comprehensive coverage on the two SUVs, and one more for the homeowners policy. “No one ever thinks of that,” he said.

Protect yourself. Follow long-standing personal-finance wisdom and always keep credit-card balances low or pay them off in full each month. That should go a long way toward maintaining a good to excellent credit rating, along with paying your bills on time and regularly checking your credit reports for errors in case you suddenly need credit for home-rebuilding loans, replacement appliances, or a new car. Build an emergency savings fund that's equal to at least six months' pay.

8. Keep your perspective. Recovering from major property losses can be among the toughest challenges in life. Fortunately, many of us will never have to deal with the experience. But should the worst happen, you can survive with planning and preparedness, persistence, street smarts, and maybe a few creative problem-solving skills—along with some help from insurers, relief agencies, friends, and family. In the end, you'll probably find your way back home, and maybe to an even better one than you had before.

I learned how corporations operate as a reporter at Forbes and now use my business savvy to uncover the tricks and find better deals for consumers like you. My passion for investigative reporting about money earned two National Magazine Awards and a Loeb Award. I love sharing wine with my wife and pitching batting practice to my MLB-focused son.

Written by Jeff Blyskal September 07, 2017 Reprinted courtesy Consumer Reports



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