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Before You Have to Face a Disaster, Check Your Home Insurance NOW! (part One)

From a Wildfire Survivor

By Elliot Feldman

On October 26, 2003, wildfires struck San Diego, California, taking with it 16 lives and nearly 2500 homes. One of these homes was mine. Luckily, my spouse and I along with our two cats escaped with our lives. It took two years of wrangling with our insurance company before we were finally able to rebuild our house. Other people weren't quite as "lucky" as we were. What I learned from this devastating experience I now pass on to you in a series of articles.

To further explain, I must start at October 30, three days after the fire and one day before Halloween (Devil's Night). On this day, the police and fire department finally allowed us back into our suburban neighborhood to see what was left of our homes. Actually, what was left of my home was rubble, one brick chimney, and the super-strength steel garage door (installed by a prior owner of the house, who had at one time converted the garage into a marijuana grow-house).

My immediate neighbors' houses were gone, too (with the exception of one unscathed home that even had its crepe paper Halloween decorations intact). Our insurance company's adjuster arrived at what was left of our house shortly after we got there. He was a polite English gentleman who appeared to be somewhat empathetic. He recorded statements from me and my spouse along with a couple of witnesses. After he walked around the rubble, he said to us, "Yes, this is a total loss." Then he promised to send us an initial check to tide us over.

His promises gave us momentary comfort. At the time, we had no idea that it would take two years of hell to put our lives back in order. With the help of FEMA (yes, they really helped), the Red Cross, and fire survivor groups, we were able to get supplementary assistance and, above all, information. CARe Inc. (see link below), an organization led by George Kehrer, a survivor of the 1991 Oakland Hills wildfire, was of particular help to the survivor groups. At the first meeting, Kehrer informed all of us that it would take "at least two years to rebuild our houses." Of course, many of us scoffed. Then, he told us that there was a good chance that we all were underinsured and would all probably wind up having to fight the insurance companies for the rightful coverage necessary to rebuild our homes. Again, many of us scoffed. After all, the adjuster had told my spouse and I that we had indeed suffered a "total loss."

A week later, I called the adjuster and asked him to reaffirm the fact that we had suffered a total loss. He promptly denied that he had ever said that. The main reason why this was of prime concern to us was that our policy was a "times two policy" that assured double our coverages only if the loss was determined by an adjuster to be indeed a total loss. Without written reaffirmation of that determination, we discovered that, with anything less than "times two" coverage, we wouldn't have anywhere near enough money to rebuild. And so our two year fight with the insurance company began.

Lesson #1: Check your policy to make sure that you have the adequate coverage amounts necessary to rebuild your exact house. Compare these policy amounts against the average 2007 construction costs in your city.

During our two year fight, we moved to a small inexpensive apartment near the beach. Luckily, we had the foresight to include a mortgage rider on our policy. As a result, the insurance company covered our monthly mortgage expenses for a year. In the second year of our struggle, the rider expired and we wound up paying rent for the apartment plus the monthly mortgage. This was a big bite.

Lesson #2: If your policy has a mortgage coverage clause, get it and get it for at least two years.

Lesson #3: Insurance companies will cover costs-of-living expenses comparable to how much it would cost you to rent a similar house in your former neighborhood. The small apartment that we rented was in a less upscale neighborhood at half the monthly rents than our former neighbors were paying for their substantially more posh relocation accommodations. Note that cost-of-living expenses are often part of a home owner insurance money pool that usually winds up with cash left over. I recommend that, after a disaster, you don't scrimp on your cost of living, because the insurance company will find ways to scrimp on other areas of your coverage.

Personal property is one of the main areas where they scrimp. Our insurance company asked us to make detailed lists of all personal property lost in the fire.

Lesson #4: Keep a detailed list of all your personal property right now. Better yet, take photos of all your property; or, even better than that, videotape every room in your house. The reason: after a disaster, without such a record, you're guaranteed to submit an incomplete list to the insurance because there will surely be key possessions forgotten.

Lesson #5: Buy a fireproof safe, and put your collectables, important documents and family pictures in it. The loss of family pictures is especially devastating.

Lesson #6: I lost my comic book collection that I'd had since I was a kid. While the comics had immeasurable sentimental value for me, many of them were actually worth a lot of money. My comics were only covered by the insurance company at a personal property limit for collectables. My recommendation: take an inventory of all your collectables and insure them under a separate policy that will take into account their appreciated value. For comic collectors: there are insurance policies that specifically cover comic books and comic art.

There are more lessons to learn. Stay tuned for part two.

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