



Financial Management After a Natural Disaster

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Natural disasters can occur any time and often come with little warning. Disasters may take many forms, such as fire, storms, flooding, or ice. While it is best to be financially prepared before an adverse weather event, there are steps you can take to protect your property and finances in the aftermath.

Document Your Losses

First, as soon as it is safe to do so, document your property damage and loss. You want to collect documentation of damages before any cleanup occurs. You likely will be required to offer written documentation before submitting claims for an

insurance policy and to qualify for aid programs. Take pictures or video with your phone or other camera to show proof of damage. Make sure the pictures you take are high resolution and accurately capture the damage. Take pictures from various angles to offer perspectives of the damage and be sure to back up and make copies of your files.

As you document your losses, write down as much detail as possible for each item. This includes specifics such as the item's manufacturer, model, and serial numbers, age, new value, current value, and the damages incurred. If you have experienced

significant loss, collecting documentation can be a difficult and time-consuming task. Allowing family members, neighbors, and volunteers to help in the process may be helpful. Note that even with adequate insurance coverage, it may take several months to repair or replace items.

You also want to document and photograph any damage to your vehicles, which would be under an automobile policy. If you have vehicle damage or loss, contact your automobile insurance agent to discuss policy coverage and options. If you worry your vehicle has suffered water damage or might be dangerous to drive, talk to a mechanic to inspect your car before driving.

Understand Your Homeowner's Insurance Policy

A house is typically insured at 80% of its current replacement cost. Replacement cost is the amount of money it would take to rebuild a similar home based on today's construction prices. Unfortunately, many homeowners don't learn they are underinsured until a disaster occurs. Depending on the type of weather event, your policy may have certain stipulations. For example, if you are in an area that is prone to earthquakes or flooding, you may be required to carry a rider on your policy to cover these liabilities. Significant home improvements or even inflation can affect the replacement cost of your home.

If your home is insured for less than 80% of the replacement cost, you may receive a prorated or reduced amount on your claims for any loss or damage that occurs. To figure out the amount that you can expect to receive from your claim, talk with your insurance agent about the specific terms of your policy. The difference between the replacement cost of repairs and the amount you receive from your insurance company will be an out-of-pocket expense.

There are four primary reasons an insurance claim could be denied:

- Lack of documented evidence

- Lack of proof of possessions covered in the policy
- Damage or loss isn't covered by the policy
- Repairs on a home that doesn't meet building codes

Understanding your policy and documenting your losses can help prevent your claim from being denied.

Track Your Actions

Following a natural disaster, you will face many decisions that can affect your family's financial well-being. This will likely be a stressful time for you and your family. When stress levels run high, remembering the details of each conversation and the actions you take may be especially challenging. Everything may begin to blur together. To help you keep an accurate memory after a disaster, write down all the conversations you have. Specifically, record the who, when, where, and what of each interaction.

- **Who?** Who did you speak with? List the person's name, organization, contact information, and role.
- **When?** When did the conversation take place? List the date, time, and length of your interaction.
- **Where?** Where did the conversation happen? For example, was it a phone call or an in-person conversation? If the latter, did it happen at a place of business or your home?
- **What?** What did you talk about? Provide as much detail as possible for your records.

To help you stay organized, consider getting a notebook, a calendar, and a large envelope. In the notebook, write all details about the disaster. This should include answers to the who, when, where, and what questions above, as well as to-do lists and contact information for organizations and individuals with whom you have been working.

Use the calendar to record appointments, deadlines, and actions taken. Finally, use the large envelope for disaster-related receipts, records, and any other documentation you gather. You also may find it helpful to save a digital folder on a flash drive or your computer, as well as in your email inbox, for any digital records or correspondence you track.

Other Considerations

Prioritize Your Safety. After a natural disaster, there can be many hazards that can put your health and safety at risk. Avoid unnecessary medical bills and added damage costs by exercising extreme caution around debris, sewage, standing water, mold, garbage, gas lines, electric lines, unstable structures, etc.

Replace Important Documents. You may need to replace important papers that were lost or damaged in the storms, such as birth certificates, photo identification, or property titles. Contact your county Extension office for a list of contact information and instructions on how to do this in Kentucky.

Use Caution Before Signing. Do not sign anything from an insurance company saying it's a "final payment" to you. Disaster-related damages to your home or property may continue to surface for several weeks or months. Never feel pressured to sign something until you understand all details and policies. Note that a settlement offer is not final. You can always negotiate for a larger claim. Meet with your insurance company adjuster first, before signing anything with contractors, lawyers, or public adjusters.

Consider Long-Term Expenses. A common mistake homeowners make after a natural disaster is to spend their insurance payout on quick, temporary repairs. Although quick repairs can help protect against further damage, payments for temporary repairs to a contractor are considered part of the total settlement. So, if you pay a large sum for a temporary repair job, you may not have enough funds for the permanent repairs.

Relocation Reminders. If you are displaced from your residence, or will be out of your home for a long time while repairs are made, take the following steps to ensure an easier transition:

1. Complete a change of address form at the post office to make sure you receive your mail at your temporary or new residence. You can change your address, forward, or place a hold on your mail at <https://www.usa.gov/post-office>.
2. Cancel or pause home-based services such as phone, internet, cable, or utilities that you will not be using. Save money by not paying for services you cannot use during your relocation.
3. Notify your mortgage company of any damages to your property. There may be forbearance options you can explore as you get your finances in order depending on the extent of the damage and your financial situation. Forbearance options may allow you to delay payments or change your payment schedule.

Financial Recovery

If a natural disaster has you concerned about paying bills, contact your creditors or lenders to explain the situation. You may be able to arrange a modified payment plan, apply for forbearance, or lower interest rates on loans or debt. In case of an emergency, try to avoid using high-cost credit if possible. Instead, cut costs on your everyday spending and pull money from your emergency savings until your expenses return to a more manageable state. If disaster strikes before you have built emergency savings, you will need to plan your spending carefully. You also may qualify for local, state, or federal aid programs.

If you are in an area that has experienced a major disaster, you may be eligible for federal disaster aid through the Federal Emergency Management Agency (FEMA). Affected residents in designated counties can apply. For more information, visit <https://www.fema.gov/assistance> and <https://www.disasterassistance.gov/>.



FEMA disaster aid can provide for a variety of needs including housing assistance, which could include rental help, lodging reimbursement, home replacement, or direct housing. It also may provide financial aid for other issues resulting from the disaster: repair or replacement of common household items; medical or dental expenses; funeral expenses; child care expenses; transportation expenses to repair or replace a damaged vehicle; cleanup and removal of contaminants or debris; and other critical needs for individuals who are displaced from their primary dwelling. FEMA Individual Assistance Programs also include crisis counseling and disaster-related unemployment, legal services, and case management.

Be Wary of Scams

In the wake of natural disasters, there is often a rise in scams targeting those most affected. Scammers strike when vulnerability is high. Be especially cautious of scams for home repairs, charities, insurance fraud, and FEMA aid.

- **Home repair scams.** These scammers may knock on your door when they see a need or an opportunity. This is a “pay for something you never receive” scam. Before hiring someone to make repairs to your home or property,

ask questions. Ask to see a contractor’s license, proper identification, and customer referrals. Be certain to get all details in writing, including an estimated price, before the work begins. Consider adding an escalation agreement, which caps the cost for repairs and materials if supply costs rise. Do not make the final payment to contractors until the work is complete and satisfactory.

- **Charity scams.** After widespread devastation, many consumers want to help by donating. Knowing this, scammers prey on generosity and compassion. Before donating, research the charity. Also, be careful of crowdfunding scams. These happen when a person asks for help online through a crowdfunding website, which is an online site where you can make financial contributions to an individual, family, or personal cause. Some crowdfunding sites do little to make sure the money goes where the organizer says it will. Contact your local Cooperative Extension office for suggestions of community organizations collecting in-kind donations.
- **Insurance scams.** If someone contacts you by phone, email, or in person about an insurance claim or policy you have filed, always check that the person is who they say they are. On

the other hand, if you have not filed a claim, do not listen to unsolicited help. In either situation, hang up and call your insurance company or policy provider directly using the number on your account statement. Do this before sharing any personal information or making payments. Similarly, be wary of contractors who offer to waive insurance deductibles or offer discounted rates, and of businesses who offer you advance fee loans or protection from foreclosure.

- **FEMA scams.** The federal government often provides help after widespread disasters. Scammers may pose as FEMA employees offering to help complete paperwork or conduct home inspections. FEMA employees are required by law to present a laminated photo ID on request. They will never charge for disaster help, application support, or inspections. You also can contact FEMA directly at 800-621-3362 to verify a representative's identity. If you have not applied for FEMA aid, do not accept phone calls or visits from someone claiming to be a FEMA or other government representative.

In summary, following a disaster, be certain to read all paperwork before you sign anything. If you are confused by the language or wording of a contract, wait to sign the paperwork until someone else has read it and you understand what you are signing. Protect yourself by being wary of loans that seem too easy to get or that guarantee financing, or of repair estimates that sound too good to be true. Do not give out credit card numbers, bank account information, or your social security number over the phone, online, or to people or companies you do not know. If you suspect fraud after a disaster, you can report it to the National Center for Disaster Fraud hotline at 866-720-5721 or www.justice.gov/disaster-fraud.

Recovering financially from a natural disaster can be a long and stressful process. However, by documenting your losses, accepting help, tracking your actions, and exercising caution, financial recovery after a natural disaster is possible.

Resources and References:

Federal Emergency Management Agency (FEMA). <https://www.fema.gov/disaster>

Kentucky Department of Insurance, Before and After the Storm. <https://insurance.ky.gov/ppc/Documents/KYDOI%20beforeafterstorm072121.pdf>

U.S. Department of Homeland Security, Ready Campaign. <https://www.ready.gov/>

U.S. Department of Housing and Urban Development (HUD), Disaster Relief and Emergency Assistance: Kentucky. <https://www.hud.gov/states/kentucky/library/disasterrelief>

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This publication is part of the “In the Face of Disaster” Publication Series:

- Preparing Your Family and Home Before a Natural Disaster
- Protecting Your Family and Home After a Natural Disaster
- Considerations for Food and Water Before a Natural Disaster
- Keeping Food and Water Safe After a Natural Disaster
- Financial Considerations Before a Natural Disaster
- Financial Management After a Natural Disaster
- Considerations for Older Adults and People with Disabilities Before a Disaster
- Helping Older Adults and People with Disabilities Cope After a Disaster
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