




Insurance Before & After Disasters: A Strategic Approach

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2025

NEWEDGEWEALTH.COM



By thoughtfully mapping an all-encompassing approach, you can minimize your financial risk and ensure a smoother path to rebuilding your life and your financial health.

In the wake of the recent California wildfires, and with data pointing to an increased frequency of natural disasters, protecting your financial well-being is paramount, especially in the face of natural disasters. While we often focus on immediate safety and recovery after an event, proactively reviewing your insurance coverage before disaster strikes is equally crucial. In the aftermath, there are also many courses of action to be aware of that can assist in navigating the complexities of recovery. By thoughtfully mapping an all-encompassing approach, you can minimize your financial risk and ensure a smoother path to rebuilding your life and your financial health.

BEFORE A DISASTER

Review and Update Insurance Coverage

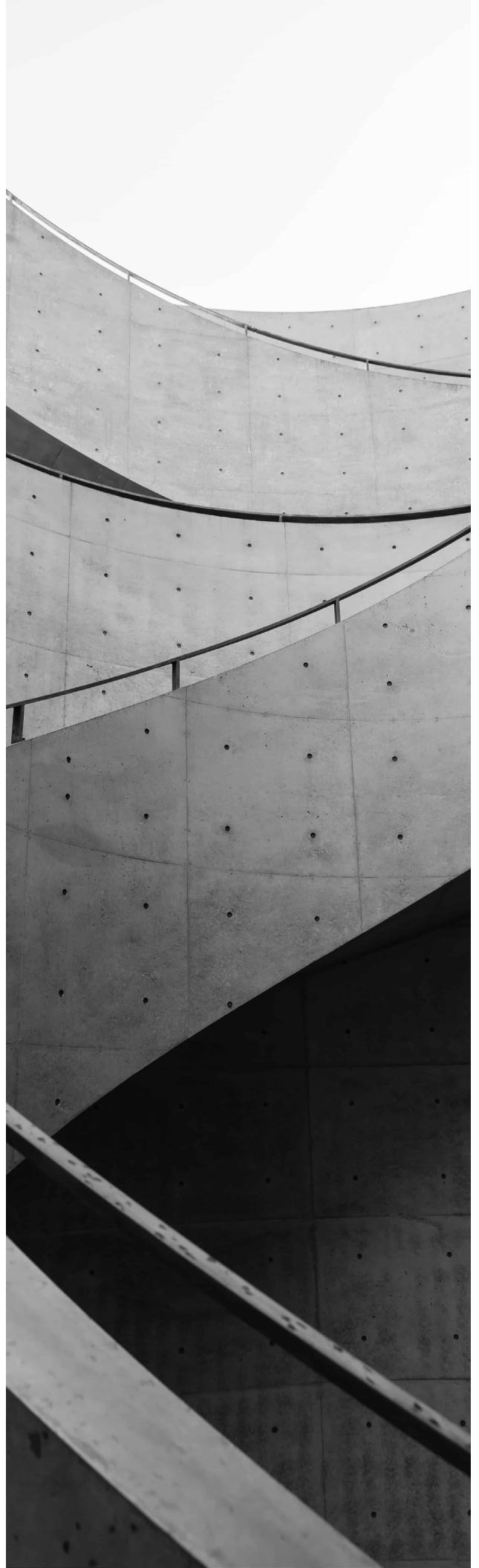
- **Understand Your Policy**
 - Understand your policy to ensure it provides accurate coverage for specific disasters you could be susceptible to. Reach out to your insurance representative or directly to your carrier to obtain a complete copy of your homeowner's policy and declarations page. Your representative should be able to walk you through the coverage and make recommendations.
- **Extend/Replace Coverage**
 - Ensure that your policy includes replacement cost coverage (rather than actual cash value) for property and personal belongings. This will cover the full cost to replace items, not just their depreciated value.
- **Coverage for Alternative Living Expenses**
 - Check if your policy includes coverage for additional living expenses (ALE) in case the home becomes uninhabitable. This will cover costs like temporary housing, meals, and other essential living expenses during repairs.

Create and Maintain a Home Inventory

- **Documents/Belongings**
 - Create a detailed inventory of household items with photos, videos, or written descriptions, and keep this documentation safe and off-site (e.g., Cloud storage, safe deposit box).
- **Inventory Updates**
 - Periodically update inventory.

Prepare Your Property

- **Mitigate Risks**
 - **Wildfire:** Clear all brush, trim all trees, and maintain defensible space around the home. A popular trend among affluent homeowners in high-risk areas for wildfires is to install private fire hydrants, which can assist with wetting surfaces as a fire is approaching or allow firefighters to quickly access a powerful water source. Homeowners with pools or ponds may be able to explore installing a remote pump system as an alternative.
 - **Flooding:** Install sump pumps, elevate electrical equipment, and ensure drainage systems are clear.
 - **Hurricanes/Tornadoes:** Secure windows and doors, reinforce the roof, and ensure the home's structural integrity.
- **Look In To SBA Mitigation Assistance**
 - SBA disaster loan borrowers may choose to receive expanded funding to help mitigate their home or business against future disasters. SBA disaster loans can be increased up to 20% to make building upgrades.
- **Secure Important Documents**
 - Keeping copies of essential documents (e.g., insurance policies, IDs, deeds, mortgage information) in a fireproof safe or Cloud storage is essential for your emergency plan. For further insights and recommendations, please refer to our guide, [Emergency Preparedness for Critical Documents](#), [here](#).



Understand Deductibles and Claims Process

- **Know the Deductible**
 - Understand the deductibles that apply to different types of damage (e.g., hurricane, flood, fire). For some perils, there may be separate or higher deductibles.
- **Review Claims Process**
 - Familiarize yourself with the insurance company's claims process to ensure you know what to do in case of damage. Confirm emergency contact information and understand any special disaster procedures for filing claims.

AFTER A DISASTER

Ensure Safety First

- **Prioritize Safety**
 - Ensure that all family members are safe. If your property is unsafe or uninhabitable, seek emergency shelter and avoid returning until it is safe to do so.
- **Avoid Further Damage**
 - Take immediate steps to prevent further damage to the property (e.g., covering broken windows, shutting off water and electricity). Keep receipts for any expenses related to temporary repairs, as some insurance policies may reimburse these costs.

Document the Damage

- **Take Photos/Videos**
 - Document the damage thoroughly with photos and videos, including the interior and exterior of the property. This will be essential for filing claims and proving the extent of the damage.
- **List Damaged or Lost Items**
 - Keep a written list of damaged or lost items, including descriptions, estimated values, and serial numbers (if applicable). This can be used when filing a claim with your insurer.

Contact Your Insurance Company

- **File a Claim Promptly**
 - Report the damage to your insurer as soon as possible. Many insurers have specific emergency claims processes for disaster-related losses. Cases will always be handled on a first-come, first-served basis. Be prepared for a long process from several months to over a year due to backlog.

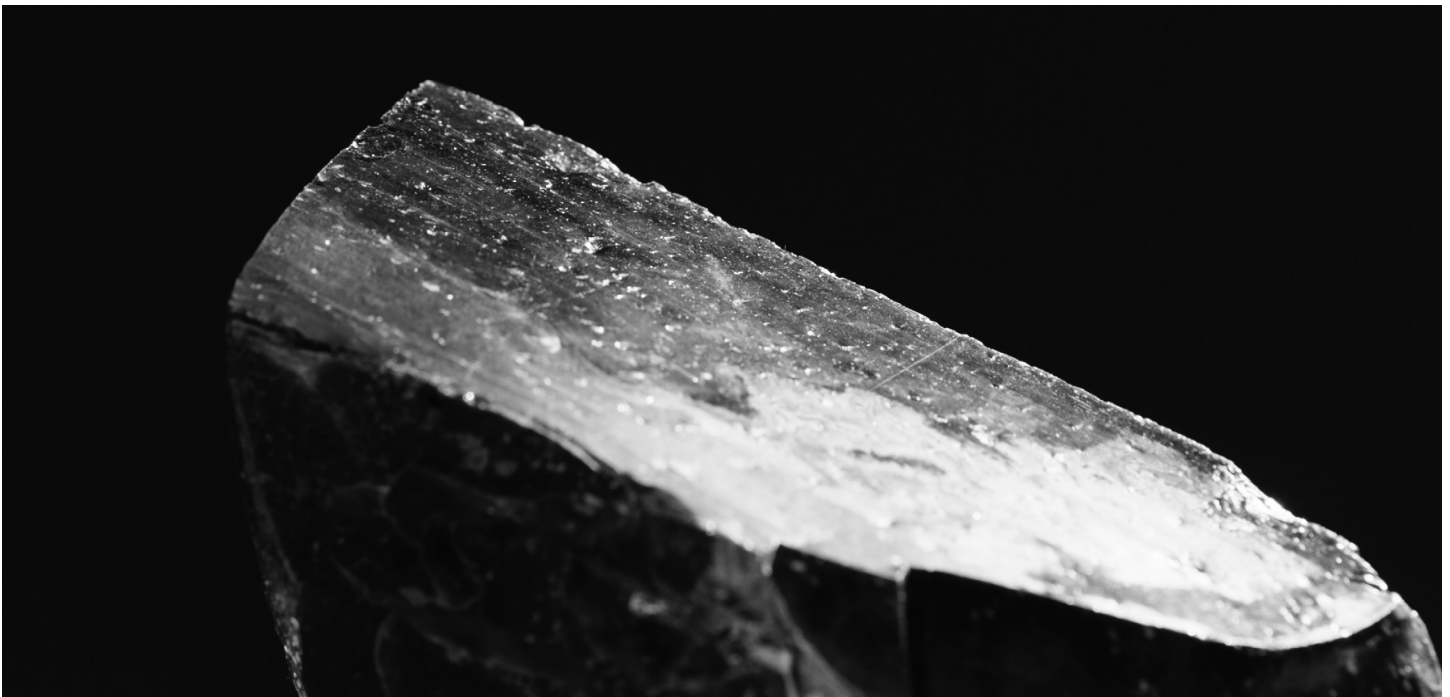
- **Protect Yourself**
 - Public adjusters promising higher settlements for a percentage of the claim may turn out to be a scam. Licenses can be verified on every state insurance department website.
- **Keep a Record of Communications**
 - Track all communications with your insurance company, including the names of agents, dates of conversations, and any instructions they provide.

Temporary Living Arrangements

- **Claim Additional Living Expenses**
 - If your home is uninhabitable, request reimbursement for temporary housing and additional living expenses under your policy.
- **Keep Receipts**
 - Keep all receipts for temporary housing, meals, and related costs, as these can often be reimbursed.

Start the Clean-Up (With Care)

- **Make Emergency Repairs**
 - Once it's safe, begin making emergency repairs to prevent additional damage (e.g., boarding up windows, covering leaks). Use licensed contractors for major repairs if required.
- **Avoid Throwing Away Damaged Property**
 - Don't discard any items until the insurance adjuster has had a chance to assess the damage unless they pose a health or safety hazard.



SELF-INSURED STRATEGIES

Build a Financial Buffer

- **Emergency Fund**
 - Self-insured homeowners should prioritize building a large emergency fund that can cover the cost of rebuilding and repairs after a disaster. Ideally, this should be enough to cover major repairs and living expenses for several months.
- **Diversified Savings**
 - Keep savings in easily accessible accounts or investments that can be liquidated quickly in an emergency.

Maintain a Strong Disaster Recovery Plan

- **Alternative Financing**
 - Self-insured homeowners should explore other sources of funding, such as disaster recovery loans or federal disaster relief programs, which may provide low-interest loans or grants for repairing homes after a disaster.
- **Home Equity Line of Credit (HELOC)**
 - If possible, a HELOC could provide a ready source of funds to cover damages if the property is affected by a disaster.
- **Construction Loans**
 - If your land is owned free and clear and the lot can be prepared for building, construction loans may be available to assist with any rebuilds.

Prepare for High Out-of-Pocket Costs

- **Estimate Potential Damage Costs**
 - Self-insured homeowners should be prepared for the financial impact of disasters by estimating the potential costs of damage to their home and personal property. If the disaster is widespread, rebuilding costs and timelines may increase significantly alongside demand.
- **Prioritize Critical Repairs**
 - In the event of a disaster, self-insured homeowners must prioritize repairs that are critical for safety and habitability, such as fixing leaks, securing the structure, and addressing hazards.



Consider Alternative Risk Mitigation Strategies

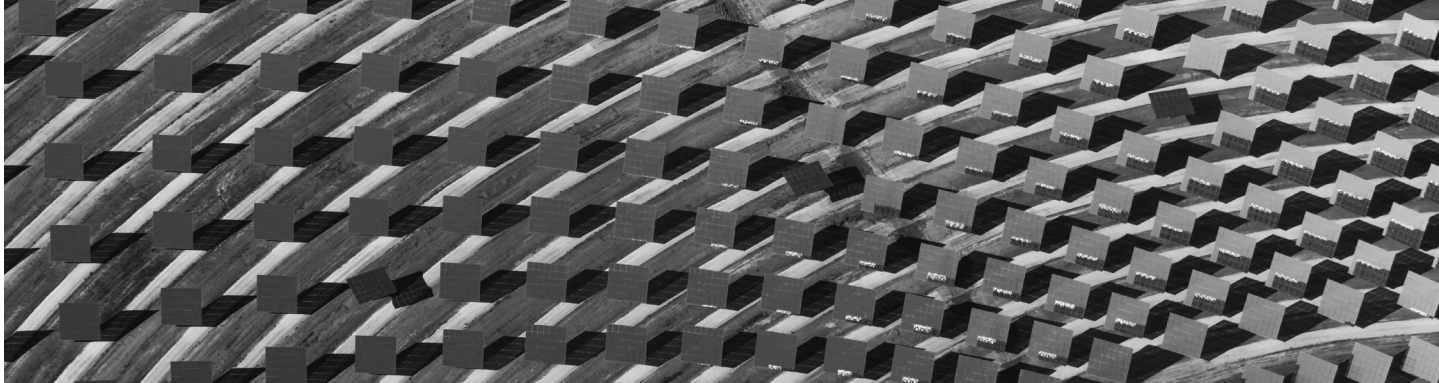
- **Community Support**
 - In some cases, self-insured homeowners might seek help through community assistance programs, non-profits, or government-backed disaster relief programs that provide grants, loans, or other financial aid to those affected by disasters.

ADDITIONAL RESOURCES

The IRS has, and may continue to, announce tax relief provisions for individuals and businesses impacted by natural disasters. It is important to always stay on top of new announcements or consult with a CPA. In light of recent FEMA-coordinated efforts in Southern California, our California Wildfire Disaster Relief article summarizes the latest IRS tax relief measures, including extended deadlines, penalty abatements, and more. Read the full piece [here](#).

SBA: Small Business Association

- Offers disaster loans to individuals and small businesses
 - The interest rate is locked at 4%.
 - Up to \$600,000 available for primary residence (\$500k) and personal property damage (\$100k).
 - The first payment is deferred for 12 months.
 - There is no interest accrual for the first 12 months.
- Up to \$2 million for EIDL (Economic Injury Disaster Loan)
 - EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere.
 - The first payment is deferred for 12 months.
 - There is no interest accrual for the first 12 months.
- The combined loan amount across both SBA programs may not exceed \$2 million.



FEMA Disaster Relief

If applying for disaster relief, consider FEMA's individual Federal relief.

Grant Assistance to a Household

- **FEMA Individual Assistance**
 - **Special Needs Assistance Grants:** \$770 one-time payment to afford immediate needs like food, water, hygiene, and transportation.
 - **For Housing:** The maximum amount a homeowner can receive through the FEMA Individual Assistance grant program for home repair, replacement, and temporary housing is up to \$43,600.
 - **For Other Needs:** Another \$43,600 is available in the form of a grant from FEMA to cover medical expenses, damage to a vehicle, household items/property, funeral expenses, moving/storage, childcare expenses, etc.
- March 10, 2025, is the deadline for FEMA assistance for California wildfires and straight-line winds.

Other Providers

- Consider your other debt obligations or expenses. Check to see if your mortgage lender is offering any moratorium or forbearance options in the wake of a disaster. California Governor Gavin Newsom announced on January 18, 2025, that five big banks will automatically offer a 90-day moratorium on mortgages that will not preclude further relief. Contact other vendors or service providers to see if they are willing to negotiate payment options or plans.

UNDERSTANDING CALIFORNIA'S SHIFTING INSURANCE MARKET

California homeowners are navigating an insurance crisis fueled by climate-driven disasters, regulatory shifts, and an increasingly volatile market. Following years of record-breaking wildfires, floods, and storms, insurers are raising premiums by an average of 15% in 2024—with hikes exceeding 30% in high-risk regions—while others have exited the market entirely. Major carriers like State Farm and Allstate have paused new policies in wildfire-prone areas, citing unsustainable losses. For homeowners, this means securing affordable, comprehensive coverage requires vigilance, adaptability, and a clear understanding of the forces reshaping

the industry.

Why the Market Is Transforming

- **Climate Risks Intensify**
 - California's \$3.2 billion in wildfire losses in 2023 alone have forced insurers to recalibrate risk models. New rules under California Insurance Commissioner Ricardo Lara now allow companies to use forward-looking catastrophe models and factor reinsurance costs into rates, which could amplify premium increases in vulnerable areas.
- **Regulatory Pressures**
 - Proposition 103, which mandates state approval for rate hikes, has slowed premium adjustments for decades. However, insurers argue this has left rates artificially low relative to rising risks. Recent reforms aim to balance consumer protection with market stability, but uncertainty remains.
- **Reinsurance Costs Soar**
 - Global reinsurance rates (what insurers pay to offset their risk) rose 30–50% in 2023, driving up operational costs for carriers. These expenses are increasingly passed on to policyholders.

Critical Steps for Homeowners

- **Leverage the California FAIR Plan**
 - This state-mandated insurer of last resort provides basic fire coverage but excludes theft, water damage, and liability. Pair it with a supplemental “difference in conditions” (DIC) policy for broader protection, though costs can add up.
- **Secure a Qualified Rebuilder**
 - Lenders require detailed repair estimates from licensed contractors with disaster-reconstruction experience. Prioritize builders familiar with wildfire-resistant materials (e.g., Class A roofing, ember-resistant vents) to align with insurer requirements and reduce future risks.
- **Invest in Mitigation**
 - Upgrading homes with fire-resistant features or creating defensible space can lower premiums. California's *Safer from Wildfires* initiative offers grants for retrofits, and some insurers provide discounts for certified mitigations.

The Path Forward: Stay Proactive

The market is evolving rapidly. Commissioner Lara's reforms, including incentives for insurers to return to high-risk areas in exchange for rate flexibility, may stabilize the market long-term but could lead to short-term volatility. Emerging solutions like parametric insurance (which pays out based on disaster severity, not damage

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