

Q&A: Disaster Insurance

Q: Major disasters, like floods and fires, seem to be occurring more frequently. Should I consider buying disaster insurance to cover my home and valuables?

A: Youâ??re right. Major weather-related disasters are becoming more common. Formerly once-in-a-century events now occur with alarming regularity. If youâ??re interested, you can find good data about these from the National Oceanic and Atmospheric Administration.

To answer your question about insurance, it is important to first explain that standard homeownerâ??s insurance policies typically have limitations when it comes to natural disasters. These limitations can create a protection gap, leaving the homeowner vulnerable to catastrophic financial losses after a weather-related disaster. For example:

- Flood damage usually requires separate National Flood Insurance Program coverage.
- Earthquake coverage almost always requires a separate policy.
- Wildfire protection is included in most standard policies, but many insurers are withdrawing from high-risk areas.
- Hurricane damage may be partially covered but, often, with higher deductibles.

Supplemental disaster insurance can narrow the protection gap. Without proper coverage, a single disaster could wipe out a homeownerâ??s home equity and savings. For many, knowing they are protected allows them to better focus on their familyâ??s safety during emergencies. Some policies also include living expense coverage to help ease the stress of rebuilding in the event of a claim.

Before purchasing disaster insurance, do your homework:

- Review your existing policies to identify coverage gaps.
- Research specific disaster risks for your location.
- Get several quotes for relevant supplemental policies.
- Consider home-hardening measures.
- Create an emergency fund for deductibles and uninsured losses.

Disaster insurance represents an additional expense. However, for many homeowners, especially in vulnerable areas, it has become less of a luxury and more of a necessity. The right coverage provides both financial protection and some peace of mind when facing natural disasters. As always, consult with your financial and insurance advisors to tailor protection to your needs.

Have questions? Need help? Call the CAPTRUST at Work Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

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