

Before Disaster Strikes...How to make sure you're *financially* prepared to deal with a natural disaster.

Protect your property

One of the first things to do is find out what disasters could strike where you live. The following steps can help you reduce the physical destruction to your property if you were to be hit with a disaster. These steps can reduce your insurance costs, too.

- Install smoke detectors to warn of an apartment or home fire.
- Elevate utilities to upper floor or attic.
- Clear surrounding brush to protect your home against wildfires.
- Anchor your house to the foundation, and anchor the roof to the main frame.
- Secure objects that could fall and cause damage in an earthquake, such as a bookcase or hot water heater.
- Install hurricane shutters on windows, and prepare plywood covers for glass doors.
- Cover windows, turn off utilities, or move possessions to a safer location if you have adequate warning of something like a hurricane or flood.
- If your home is in a high risk flood area, on a fault line, or threatened by coastal erosion, consider relocating.
- Have your house inspected by a building inspector or architect to find out what structural improvements could prevent or reduce major damage from disasters.
- If you haven't yet bought a house, you might take construction type into account. Frame houses tend to withstand some disasters, while brick homes hold up better in others.

If you're not sure where to start, you could contact your local fire department if you live in wildfire country. Fire departments will often make house calls to evaluate your property and make suggestions on how to improve safety. In earthquake-prone areas, the local utility can be called upon to come to your location and show you how and where to shut off gas lines or how to elevate utilities to get them above a possible flood.

Conduct a household inventory

Inventory your household possessions by making a list of everything you own. If disaster strikes, this list could:

- Help you prove the value of what you owned if those possessions are damaged or destroyed.
- Make it more likely you'll receive a fast, fair payment from your insurance company for your losses.
- Provide documentation for tax deductions you claim for your losses.

To conduct a thorough home inventory:

- Record the location of the originals of all important financial and family documents, such as birth and marriage certificates, wills, deeds, tax returns, insurance policies, and stock and bond certificates. Keep the originals in a safe place and store copies elsewhere. You'll need accessible records for tax and insurance purposes.
- Make a visual or written record of your possessions. If you don't own a camera or videotaping equipment (and can't borrow or rent it), buy an inventory booklet and fill it out, or make a simple list on notebook paper. Ask your insurance agent if he or she can provide one.
- Go from room to room. Describe each item, when you bought it, and how much it cost. If you're photographing or videotaping, have someone open closet doors and hold up items.
- Record model and serial numbers.
- Include less expensive items, such as bath towels and clothes. Their costs add up if you have to replace them.
- Be sure you include items in your attic, basement, and garage.
- Note the quality of building materials, particularly for such furnishings as oak doors or expensive plumbing fixtures.
- Photograph the exterior of your home. Include the landscaping--that big tree in the front yard may not be insurable, but it does increase the value of your property for tax purposes. Make special note of any improvements, such as a patio, fencing, or outbuildings.
- Photograph cars, boats, and recreational vehicles.
- Make copies of receipts and canceled checks for more valuable items.
- Get professional appraisals of jewelry, collectibles, artwork, or other items that are difficult to value. Update the appraisals every two to three years.
- Update your inventory list annually.

Sound like too much work? Computer software programs designed for such purposes can make the task much easier. These programs are readily available in local computer stores.

Most important, once you have completed your inventory, leave a copy with relatives or friends, or in a safe deposit box. Don't leave your only copy at home, where it might be destroyed.

Buy insurance

Even with adequate time to prepare for a disaster, you still may suffer significant, unavoidable damage to your property. That's when insurance for renters or homeowners can be a big help. Yet, many people affected by recent disasters have been underinsured-or worse-not insured at all. Homeowners insurance doesn't cover floods and some other major disasters. Make sure you buy the insurance you need to protect against the perils you face.

If you own a home:

- Buy, at a minimum, full replacement or replacement cost coverage. This means the structure can be replaced up to the limits specified in the policy.
- Investigate buying a guaranteed replacement cost policy. When and where available, these policies can pay to rebuild your house, including improvements, at today's prices, regardless of the limits of the policy.
- Have your home periodically reappraised to be sure the policy reflects the real replacement cost.
- Update the policy to include any home improvements, such as basement refinishing. Annual automatic increases may not be enough to cover these.
- Buy a policy that covers the replacement cost of your possessions. Standard coverage only pays for the actual cash value (replacement cost discounted for age or use).
- Be very clear about what the policy will and will not cover, and how the deductibles work (the part you pay before the policy pays).
- Check state-operated or federally operated insurance pools if you find it difficult to obtain private coverage because of a recent disaster. Premiums often run higher than market rates, but this is better than no coverage.
- Use your home inventory list to check that your policy's coverage matches the value of your possessions.

If you rent:

- If you are renting, consider locating outside a high risk flood area or away from a fault line.
- Buy renter's insurance, which pays for damaged, destroyed, or stolen personal property. Your landlord's insurance won't cover damage to or loss of your possessions. Also, consider special coverage like flood insurance for your belongings.
- Be clear about what a policy will cover. Some policies cover more than others. For example, will the policy pay for living expenses if you have to live somewhere else temporarily, or for damage from sewer backup?
- Comparison shop for the best coverage at the best price. Other than government flood insurance, policies vary from company to company. Policies in most areas are very affordable. Start with the company that insures your car. Discounts are often available if you carry more than one policy with a company.

If you are moving:

- Select a home in an area not on a fault line, in a flood area, or at risk from coastal erosion.

Consider special coverage

Insurance for renters and homeowners won't cover certain types of losses. Ask your insurance agent or financial planner about special or additional coverage for the following:

Floods. Homeowner policies don't cover damage from flooding. Call your current insurance company or agent first about getting coverage. If your company doesn't provide flood insurance, call the National Flood Insurance Program at (800) 427-4661, which can provide you with the name of an agent in your area who writes flood insurance. As of 1997, the average premium is \$300 a year for \$98,000 of coverage.

Earthquakes. Premiums typically are high (\$5,000 annually for a \$200,000 home), and deductibles may range from 5% to 20% of the policy's coverage. Still, such coverage may be better than no coverage. (Earthquake coverage for the contents of a home usually is separate. You also may need separate coverage for masonry and plate glass.)

Home offices. Some policies automatically extend coverage to computer equipment and a few other items of business property. Talk to your agent to determine what items would or would not be covered. If necessary, you could buy additional business coverage at a modest cost. Or it may be better to buy a separate small business policy, which would also provide more coverage.

Building codes. Ask your agent about additional insurance to cover the costs of meeting new, stricter building codes. Frequently, after a disaster people get socked with rebuilding costs that are much higher because building codes have changed. All current codes must be met when rebuilding. Consider additional structural improvements that provide more protection.

Other potential problems. This would include problems such as underground mines (located beneath your property) sewer backup, or mudslides.

Big-ticket items. Purchase additional coverage for specific jewelry, collectibles, artwork, furs, or other big-ticket items.

Where to keep cash

After a disaster, you may need cash for the first few days, or even several weeks. Income may stop if you can't work. To help stay solvent, consider the following:

- Keep a small amount of cash or traveler's checks at home in a place where you can get at it quickly in case of a sudden evacuation. A disaster can shut down local ATMs and banks. The money should be in small denominations for easier use.
- Set aside money in an emergency fund. That can be tough to do on a tight budget, but it can be well worth the effort. The fund can be very helpful,

not only in a disaster, but in other financial crises, such as during unemployment or when unexpected expenses like legal fees arise.

- Keep your emergency funds in a safe, easily accessible account, such as a passbook savings account or a money market account.
- Keep some funds outside the local area, since the disaster that affects you could also affect your local financial institutions. A mutual fund money market account in another city or state is one option to consider.
- Keep your credit cards paid off. You may have to draw on them to tide you over.

Use an evacuation box. Buy a lockable, durable "evacuation box" to grab in the event of an emergency. Even a cardboard box would do. Put important papers into the box in sealed, waterproof plastic bags. Store the box in your home where you can get to it easily. Keep this box with you at all times, don't leave it in your unattended car.

The box should be large enough to carry:

- A small amount of traveler's checks or cash and a few rolls of quarters.
- Negatives for irreplaceable personal photographs, protected in plastic sleeves.
- A list of emergency contacts that includes doctors, financial advisors, clergy, reputable repair contractors, and family members who live outside your area.
- Copies of important prescriptions for medicines and eyeglasses, and copies of children's immunization records.
- Health, dental, or prescription insurance cards or information.
- Copies of your auto, flood, renter's, or homeowners insurance policies (or at least policy numbers) and a list of insurance company telephone numbers.
- Copies of other important financial and family records (or at least a list of their locations). These would include deeds, titles, wills, a letter of instructions, birth and marriage certificates, passports, relevant employee benefits documents, the first two pages of the previous year's federal and state income tax returns, etc. Originals, *other than wills*, should be kept in a safe deposit box or at another location.
- Backups of computerized financial records.
- A list of bank account, loan, credit card, driver's license, investment account (brokerage and mutual funds), and Social Security numbers.
- Safe deposit box key.

Rent a safe deposit box. Safe deposit boxes are invaluable for protecting originals of important papers. If you don't have a safe deposit box, keep copies in your evacuation box or with family or friends. *Original* documents to store in a safe deposit box include:

- Deeds, titles, and other ownership records for your home, autos, RVs, boats, etc.
- Birth certificates and naturalization papers.
- Marriage license/divorce papers and child custody papers.
- Passports and military/veteran papers.
- Appraisals of expensive jewelry and heirlooms.
- Certificates for stocks, bonds, and other investments.
- Trust agreements.
- Living wills, powers of attorney, and health care powers of attorney.
- Insurance policies (copies are sufficient).
- Home improvement records.
- Household inventory documentation.

Generally, originals of wills should not be kept in a safe deposit box since the box may be sealed temporarily after death. Keep originals of wills with your local registrar of wills or your attorney.

Deciding on a safe and convenient location is an issue. You may want to consider renting a safe deposit box in a bank far enough away from your home so it is not likely to be affected by the same disaster that strikes your home (for instance, bank vaults have been flooded). Keep the key to the safe deposit box in your evacuation box.

Home safes and fire boxes. Safes and fire boxes can be convenient places to store important papers. However, some disasters, such as hurricanes, floods, or tornadoes, could destroy your home. Usually, it's better to store original papers in a safe deposit box or at another location well away from your home.

If you have time...

Some disasters, such as tornadoes or earthquakes, strike with little or no warning. Others, such as floods or hurricanes, may allow some time to prepare. If there is enough time, you could take the following actions:

- Decide what household items you would put on a very short priority list. For example, imagine you could take only one suitcase or pack a single carload. What would you take? Involve the whole family in this discussion.
- Take jewelry and other small valuables.
- Take irreplaceable heirlooms, mementos, and photos.
- Don't bother with replaceable items such as televisions, furniture, computers, and clothing (except what you need to wear for a few days).
- Be sure, however, to take a battery-powered radio and spare batteries so you can stay informed.
- Take important papers and computer disks if you have a home business.

Whew! These are a lot of ideas. You may not be able to do everything that is suggested--that's OK. Do what you can. Taking even limited action now will go a long way toward preparing you financially *before* a disaster strikes.

For more information, contact your local Red Cross or office of emergency management. There you can find out what the potential is for various disasters in your area or how you can help others who are affected by a disaster. You also can pick up a brochure that gives you advice on how to recover financially *after* a disaster strikes.

To find more information on the Internet, contact. . .

FEMA -- www.fema.gov

NEFE -- www.nefe.org

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