

Episode 2: What could recovery look like for households making an insurance claim or seeking disaster assistance after an earthquake?

Introduction: Welcome to *Ready to Recover*, a podcast series in which guest experts take a closer look at what people may experience when seeking to finance their recovery after a damaging earthquake. These discussions consider common challenges and options, including what can be done to prepare before disaster strikes. This podcast series is produced by CREW@crew.org with funding from the National Earthquake Hazards Reduction Program.

The following podcast explores what financing recovery can look like for individual households making an insurance claim or seeking disaster recovery assistance.

Kyra (CREW) This episode features a conversation between Amy Bach and Leesa O'Donnell Tomsett:

Amy Bach is the Executive Director and co-founder of United Policyholders, a California-based national non-profit that educates and advocates for policyholders on insurance coverage, the claim process, and public policy matters. United Policyholders runs initiatives focused on increasing disaster resiliency and insurance literacy. Ms. Bach is a professional consumer advocate, attorney, and published author. She currently serves on the U.S. Treasury Federal Advisory Committee on Insurance, the Redwood Credit Union Board, and she is an official consumer representative to the National Association of Insurance Commissioners.

Leesa O'Donnell Tomsett is Branch Chief of the Claims Branch at the Federal Insurance Directorate within FEMA's Federal Insurance and Mitigation Administration, which manages the National Flood Insurance Program (NFIP) and a range of programs designed to mitigate against future losses from hazards including floods and earthquakes. Prior to joining FEMA in 2016, Ms. Tomsett worked for 44 years in the property and casualty insurance industry, where her activities included overseeing NFIP claims.

What drew you to the work that you do in the disaster insurance field?
And Amy, why don't we start with you?

Amy Bach So United Policy Holders has been involved in educating consumers on earthquake preparedness and insurance matters from the very beginning of our founding in 1991, because we were founded just a few years after the 1989 Loma Prieta earthquake in Northern California. And then some years after we were in operation, there was the Northridge earthquake in L.A. That was another really big one. So early in the nonprofit's life, we had—, we felt it was imperative to really raise awareness among property owners of the importance of having insurance for earthquakes, and then understanding and being realistic about how that insurance will work after a loss. And so we have really put a lot of effort into curating very plain-language guidance, realistic guidance for people, because we've seen how hard it is to recover from an earthquake if you don't have insurance at all. And so for that reason, you know, we have developed a lot of materials to really help people not get caught after an earthquake unprepared.

Kyra (CREW) And then Leesa, how about you?

Leesa Tomsett Well, I'm going to take this from a personal perspective. You know, when I first got into insurance, I was quite young, and it was 1979, and it was right out of high school. I had no idea. All I know is, I had a person who took a liking to me and marketed me to this little company out of New Orleans for an insurance position. And when I interviewed, I didn't know if I interviewed for the claim or got the claims job or the policy service job. And fortunately, it was a claims job, because that certainly fit my personality. And of course, I didn't go out handling claims at that time. I was just a little claims processor and paying the claims. But it was something that just seemed to, like I said, fit with my personality: working with policyholders, educating them, providing good customer service, making sure they understood why they were purchasing the insurance and what the benefits were of purchasing insurance.

And of course, as my career evolved over the 40-plus years— It was Hurricane Charlie that I'm like, you know, I've done a little hail-claims, I'd already been working with the flood, and I'm, like, I feel like I need to go out: I need to get out there—and not as a field adjuster, but overseeing and managing a group of adjusters handling claims to make sure that they were providing good service and paying claims properly and things like that. And then I worked every major catastrophe after that, which set me up for Katrina. You know, that's my hometown that got destroyed. So, you know, I have a good empathy for policyholders and what they go through, and on their worst day.

And with earthquakes—I was at one time certified for earthquake for California—and so it is, again, one of those disasters that—, but it comes more surprising: You don't know what's happening until it happens. You don't really have a lot of time to prepare, so you have to have a game plan well ahead of that earthquake that will eventually happen—not *if* it's going to happen, *when* it happens.

So yeah. So that's basically me in a nutshell, of how I got into this, how my career progressed, and working with people before, during, and after disaster. Just like it's part of my DNA and something that I am very proud of with the work that I've done and the people that I work with in doing it.

Kyra (CREW)

Great. So that actually segues really well into the next topic we'd like to focus on, which is: For those with an earthquake, flood, or other disaster insurance policy, what should they be expecting? And let's start with the, you know, the event happens, the disaster happens: What is typical for the timeframe for, you know, what they should be anticipating going through in that moment. I mean, it is probably for a lot of people, the worst moment of, you know, their life. So what do they expect to happen?

Amy Bach

So, you know, United Policyholders has a—, we have both a roadmap to preparedness and a roadmap to recovery program. And through those programs, we put out guidance, free guidance online and in print. And a lot of the guidance that we offer people who just were impacted by a disaster—and we have people on our staff who went through it themselves—and, you know, a lot of our guidance is focused on helping people be realistic about the situation, right? So, you know, we say to people, “Recovery is a marathon, not a sprint,” for example, and sort of give them—, gently give them the understanding that this is going to—, this is a process. And, you know, they're going to have to be patient, and they're going to have to really kind of try to get situated in a comfortable alternative living situation, which it— (you know, if their home is uninhabitable) and kind of get their mindset to be practical: that, like, you're going to be in this for the long haul. So that's one thing, you know, we say—you know, we have all these aphorisms that we've developed over the years, like, “Insurance is a vehicle to get you back where you were before a loss, but it's not going to drive itself.” And, or, you know, “Your adjuster may be friendly, but they're not your friend.” And we don't say that to get people, you know, to, you know, think that they're now in a fight. We say it to help them really be—, understand the dynamic that they're in, right? That their property has been damaged. It's their asset. They have the biggest stake in making sure that asset gets restored; they have insurance, but that it's really very much of a business situation. It's

not a situation where, in many cases, where you can just sit back and the insurance company is going to make everything right for you; it's a little more complicated than that. So, again, a lot of what we do is give people a more realistic mindset, but also you know, help them feel supported so that—, you know, remind them you're not alone. There are so many resources: FEMA, you know, your community officials. There are lots of other people who've been in this situation before: you're not the first, you won't be the last. But to really get people to know that this is not going to be better in a week or a month, that it's really usually going to be at least a year before you can kind of put all the pieces together: you know, resolve your insurance claim, find the right professionals and pay them, and ensure that what they—, that the work that gets done is quality and is the right work and it's done the way it should be. So that's kind of our main thrust in the beginning.

Leesa Tomsett

And I think that springboards to setting expectations: you know, the good, bad, and indifferent—whatever those expectations are, the person needs to understand; because you're going to have your insured group—people who purchased coverage—and they're going to be having to report their claim timely, because until they report their claim, the claim hasn't started. Most policies will have timeframes built into the policy that talks about, you know, how long it's going to take to adjust the claim. In the time of catastrophe, some policies may even dictate how much more time that you have. Like, say, for instance, the policy may provide 60 days to open, pay, and close a claim, and notify a policyholder if you need more time. In a state of a catastrophe, however, some states build in additional time automatically for that, because they know, depending on the severity of the catastrophe, like, you know, and you've seen the major catastrophes— earthquakes in California, like the Northridge earthquake, that was very devastating.

And so, when you have damage to infrastructure, you have damage to roadways, you have all these different things happening, just getting adjusters on site to be able to make those inspections is an undertaking. So, you have your report of claim—you know, contact with that policyholder can be impacted, especially, again, if the telephone systems are down and things like that. And nowadays, in the 21st century, we have email, we have text, we have so many other ways of reaching people that we never did before. And so that helps with communication.

But then, like I said, making those inspections with—, when the policyholder's available, so that you can get there and spend the time with the policyholder.... Of course, with an earthquake, you have

aftershocks. All of that is concern for safety. You know, getting in those crawl spaces, getting in those attics as aftershocks are ongoing. But that's what their job is, you know; and even if they have to come back, that could be another delay of creating an estimate to restore that home and repair the damage.

Then you have your unfortunate ones who do not have insurance. They're going to be reliant on whether this is determined to be a presidential disaster; you know, there are certain things that the government will do, but there's a lot of local resources that Amy spoke about that's going to be available for them. And that could be the Red Cross and all those kind of things. It could very well be Small Business—SBA—loans that are made available to them to help restore their homes. So, you know, it's all about that communication expectation; and understand what is required out of you if you are insured.

You know, every policy will set forth “duties after loss” that a policyholder must comply with. And, you know, that may or may not include having to submit a proof of loss, and, you know, it's not necessarily a form. But what that means: you know, asking your adjuster, asking your insurer or your agent, what is it they're going to expect out of me? What do I need to provide? What timeframes do I need to meet? Not only finding out what they're going to do for them, but what do I need to do, so that you're not missing any deadlines that you need to do that could, you know, ultimately hurt your claim. Now, it shouldn't bar your claim if you're late doing something; but, you know, but it may delay the claim.

And also, at the end of the day, never being afraid to ask for more: If whatever you originally were written—and that's not sufficient to restore your home per the coverage, or you find more damage or whatever it could make, maybe not until you have your contractor involved. Don't ever be afraid to ask for more money and say, I can't do it for this. And provide your documentation and support, because your adjuster and your insurer should always be willing to work with your contractor to reach an agreement on what we call scope: the damage that was caused by the covered event, and then the—, and the cost to repair—you know, what it's actually going to cost you to perform that work. So, I think that's, you know, the primary things, you know: communication, communication, and making sure you understand what the expectation is from you and your insurer.

Amy Bach

Yeah, I mean, I really can't agree more. I think that in addition to helping people have a realistic mindset of the situation, helping them remember

that one of the most important things is to figure out what happened to the property as a result of the earthquake: what happened, right?

And of course you know, there's—, it's always going to be hard to find local, you know, local experts, right? Because they're in high demand. People are going to come in from out of the area. Can you trust them? Those are all, you know, chronic challenges. But at the end of the day, you know, the most fortunate people are the people who have earthquake insurance.

Leesa Tomsett Mm-Hmm. <affirmative>

Amy Bach You know, I mean, if you've got—, if you got some, you know, some kind of an economic safety net separate from government programs, you know, you're way ahead of the game. Which is why our organization has been working so hard, you know, for years to try to move the needle in California and get more people to buy earthquake insurance, because it's just so scary, you know, to think about what's going to happen with the next big one with the relatively low take-up rate of people who are buying that coverage for earthquake damage.

Leesa Tomsett And that's a very good point because, you know, the first thing, you know—, because a lot of people think, "I can't afford it." You don't know, a lot of times, if you can afford it unless you get a quote.

Amy Bach Get a quote.

Leesa Tomsett Get a quote, find out if it's something that you can afford. You know, there's usually different deductibles and things like that that can lower the premium, where you're self-insuring for different things and, you know—. Because I would say that for that, or flood insurance, you know, when you look at your homeowner policy, and a lot of people think, "I'm covered;" or your business policy, business owner's policy, your renters policy, "I'm covered"—especially when they use terminology like all risk: well, every policy has exclusions, limitations, all those kind of things. And so, you know, you want to ensure and make sure you at least understand those insurance gaps, which commonly are earthquake and flood—yeah. And get those quotes. Find out: talk to your agent and find out, "How much will it cost me to add this coverage to my policy?" so you can make informed decisions. And so yeah, that's the biggest advice I have to any consumer, is to do that—you know, weigh your options.

Amy Bach Right, right. And you know, we have worked pretty hard over the years to word our advice so that it's going to be realistic, you know, because we—,

and so we'll say to people, you know, don't just go on rumors: you know, your neighbor says it's a rip off, so "I'm not going to go there." You know, like, how much would it cost? I mean, certainly for flood insurance, we tell people, if you're not in a high-risk flood zone, it's a bargain, and you should definitely buy a flood policy. Earthquake is a trickier one.

Leesa Tomsett Mm-Hmm. <affirmative>.

Amy Bach Because I think, you know, the people who really need it, you know, are people who are in, you know, high-risk fault zones and also people whose homes have the conditions that make it even more important to have earthquake insurance.

Leesa Tomsett Mm-hmm. <Affirmative>

Amy Bach So soft story, for example. Or you know, you're on a slope, you know, kind of thing. So again, United Policyholders has developed tips, and we work pretty closely with the California Earthquake Authority. We sort of have the same goals. You know, they want to have more people be insured for earthquake damage in California; so does United Policyholders. So, you know, we have, on our website, we have tips, let's say: we have a tip that was written by a financial planner based on the advice he gives to his customers on protecting your assets and, you know, deciding whether or not buying earthquake insurance makes sense. Of course, if cost isn't an item, an issue, everyone should buy it, right? But the reality is, we know that for most households, you know, adding another \$2,000 bucks onto their premium—especially today with home insurance costs going higher—it's a hard sell. But we are consistently messaging, just like, you know, Leesa said, that this should be an informed decision that you make based on your situation. You know, how much equity do you have? You know, could, would you walk away if it were a severe loss? And what kind of retrofitting could you do both to make it less likely that your home will suffer serious damage, and also to bring down the cost of your insurance? So those are all the sort of talking points that we've been putting out there over the years.

And, you know, finally, I mean, the reality is that if you have a—, you know, the reason that most people have home insurance, I mean, it's because their mortgage, you know, is requiring it, right? That's kind of the, that was sort of the original drive, right? It's not that people wouldn't want to have that safety net, but the main reason that people will buy it is that they've been required to buy it. Right? we don't have that imperative with earthquake insurance, right? Banks do not require it. You could be living

right on a fault line and take out a mortgage, and the mortgage company doesn't care that you don't have earthquake insurance. It's sort of one of those mysteries of the universe for us. But it is a fact. And until that changes, you know, it's a tough call for homeowners, because it's just—, the only people who buy earthquake insurance are the people who are in a high-risk situation, which is sort of part of the problem that, you know, it sort of feeds on itself, right?

It's only the people who are high risk for earthquake who buy it, which means it's a high-risk pool, which means that the coverage is expensive. But, you know, we are always working to innovate, and, you know, encourage people: take a higher deductible, do as much retrofitting as you can, you know, have your foundation be bolt—, you know, home be bolted to the foundation, you know, strap your water heater, put sheer wall panels in—all those things that people can do. You know, we're—at least those of us who are on our side, you know, FEMA, U.P, the California Earthquake Authority—people who are thinking about these things, we're all putting out the same messages, right? Get a quote, do as much as you can to mitigate, and have a plan for what you would do if your home were seriously damaged in an earthquake. Have a plan. Don't stick your head in the sand.

Leesa Tomsett

And I think that's fantastic. And that springboards to what you can do to mitigate a potential loss.

And it's—, and it—, and basically at the end of the day, we all know that the longer it takes for a disaster to happen—you know, if it has been 15 years or 20 years since a big earthquake, you know, apart from a little rumble—people get complacent. Same thing if you live in, you know, hurricane territory: If it has been a while since you've been hit by a good hurricane, you know, you relax and you think that that next one, oh, that's not going to be that bad: "I lived through the last five. I didn't evacuate. I didn't do these kind of things," you know; but at least with a hurricane, I have the option to evacuate. I can drive away from it. I can't do that with an earthquake. So the most important thing is, whether you choose to get insurance or not get insurance, it's what you do pre-disaster to save your life and property. And, you know, there's so many, many resources online and, you know, not only with your organization [United Policyholders], but also ready.gov.

Amy Bach

Yes.

Leesa Tomsett It's a wonderful site that has a list of probably every kind of disaster you can ever imagine going through. And—, but earthquake is certainly on there.

And I think one of the most important things is about having that emergency plan, you know, for your family. You know, making sure you have out-of-state contact people, you know, that they know where you are at any given time. You know, what are you going to do? Where in that home is the safest place in that home or that building for you to be as things are rattling around; you know, making sure that there's not going to be anything that's going to fall on you.

And I—, and you know, while I—, well, I live in an area that has a fault line, but ours has been dormant for a hundred years—you know, I don't live in the same concerned area where it could happen at any given time. And so for there—, you know, I would—, if I did, I would do those things, like making sure things are attached to the wall, so it's not going to fall on me, because I'm willing to bet that a lot of times it's that secondary thing that injures you as opposed to the earthquake itself—you know, having a piece of furniture fall over, you know, or things falling off the walls, or things like that. And so you, have to protect yourselves and take that time to look up those things and see what I can do proactively to save and preserve my family first: family first, property second; and—, because there really are some great resources out there, and, everything needs to have a plan.

Amy Bach Yeah. And, you know, having water, emergency water on hand.

Leesa Tomsett Yeah.

Amy Bach Having some emergency supplies, you know, so, you know, those things, you know, you really—, it helps when people have actually gone through it. You know, it's really, you know, the having been living in California through both the '89 and the '94 quakes—it makes a huge difference, you know, in your awareness. Right? And you know, it's very hard, I think, for people to even get their mind around what it's like if they haven't been through it, and—.

Leesa Tomsett Absolutely.

Yeah. So, I mean, the other thing is—I'm sure we all agree on this as well—is that, you know, we have to sort of myth-bust for people all the time that the federal government is going to come riding in on a white horse and save you, and you—, that's why you don't need insurance, right?

Which is just not true. I mean, the federal government is wonderful: wonderful programs. But, you know, FEMA— an individual assistance grant is needs-based, so a lot of households are not even going to qualify; the maximum award is something—what? 40—, what is it?—\$42,000 now, but the average is more sort of in the \$6,000. That's not, you know, going to do it for most people, right? So as wonderful as government aid is, and charitable aid is, it's not—, it doesn't take the place of what an insurance policy can offer in terms of dollars to pay for the repairs. You know, that's really a bottom-line message that we have to continually try to get out there, you know, because that is the common mindset: well you know, "FEMA's going to be there to save me;" which of course, FEMA's wonderful, but it is not a substitute.

Leesa Tomsett That's exactly right. And it has to be a presidential disaster.

Amy Bach Right.

Leesa Tomsett You know, a declared disaster. So just because an earthquake happens doesn't mean that it will be a declared disaster that would allow you to have those individual assistance and things like that, you know? And most often, you know, for the uninsured, they might have some assistance with their primary residence, but it will not, it definitely will not make them whole: that is a misnomer—you know, if you're going to choose to self-insure and not get insurance. Because insurance is always the best way to restore and get back to a new normal, you know? Because anytime you go through a disaster, it affects you mind, body, and spirit. You are changed after you have gone through whatever that disaster is.

And—, but you can't let it paralyze you. You have to continue to make that plan. You know, if you're going to self-insure, make sure that you have savings. You know, if very—, if for any other reason, make sure you have enough savings to get you through those initial tough days right after that disaster happens, where there's no power, there's no water, there's no electricity. Like, having those, you know: the extra water on hand, food, you know, non-perishable items, on hand. But having enough cash on hand where you could travel to a hotel for a few days, you know? Because if you have insurance, there may be coverage for additional living expenses—you don't know (and, you know, it could depend on the particular catastrophe you went through): You have to read your policy, know what to expect out of that policy, so you're not surprised, you're not surprised about the fact that there are limitations that, you know, in an earthquake, it may have limited coverage for my brick veneer, you know,

and most of those policies have those kinds of wording in it. Just know what to expect, know what you—, your out of pocket could potentially be if the worst case happens, and that you could, you know, if you need to, get another loan, a second loan, on your home, or whatever it is, that you're able to do that so that you can, you know, continue to live in your home and restore it and do those kind of things. But yeah, be prepared. Always be prepared.

Kyra (CREW)

You have covered so many topics in that discussion that we have virtually nothing left here to ask, which is fantastic.

Kind of focus in on—, maybe if you could say there's one surprise obstacle that—having dealt with people in disaster situations—if there's one thing that people commonly don't anticipate that you would really draw attention to and say, "Yeah, this happens, and people are often caught by surprise." What would that be?

Amy Bach

I'm going to say that things cost more than you think: you know, that repairs are more expensive than you think. And especially because after a disaster, with, you know, supply and demand, even with anti-price gouging rules, people are still going to—, you know, materials are going to be more expensive, labor is going to be more expensive, and just—, it's all about the money. That's really, I would say, the biggest surprise for people.

Leesa Tomsett

Mm-Hmm. <Affirmative>. And I think the other surprise for people is the requirements to bring the home into compliance with whatever current law or ordinance might exist at the moment that that loss occurred. You know, your home might've been built back in the sixties.

Amy Bach

Yep.

Leesa Tomsett

But now you're required to do other certain things that—. Be familiar with what those requirements might be, because that is dictated by the local building codes, and so, you know, that you might have to comply. And that could involve rewiring your home, replacing windows, replacing a roof—doing these things, these unexpected costs, that had nothing to do with the earthquake or the flood, but that you're required to still do. So, you know, make sure you're thinking about those other kinds of costs that you may be required to put out that may or may not be covered by the insurance, if you do have insurance, which you'd still be required to do if you don't have insurance.

Kyra (CREW) And then, do you have anything that, if you were talking to local emergency preparedness people—the people that are daily in communication with folks before the earthquake—is there anything that you would particularly recommend that they focus on communicating to the public before the disaster on this topic?

Amy Bach That's such a great question because—and it's very timely for me—I just got a notice from my local elected official, and it talked about “Be prepared for disasters and have a plan,” and it didn't mention insurance. So, my answer to your question is, it's great to talk about, “Have a plan, have emergency supplies,” but it's also great to remind people that, for most people, their home is their biggest asset, their most important, valuable asset, and that making sure that it's insured is in your best interest financially, and to restore the quality of your life. So, reminding people in advance to think about insurance and to try to have their insurance safety net in place is just as important, I think, as telling them to have a plan and, you know, and know that this is something that might happen.

Leesa Tomsett That is excellent advice, because you—, it goes hand-in-hand, you know? And it's just, like, making sure—with the emergency matters—making sure that new construction, not only old construction, of what you can do to retrofit (you talked about retrofit earlier); you know, new construction: making sure that you're built in the best way that would prevent certain damages from occurring to your home.

You know, but, being, as you know— I don't do earthquake like I used to work with it in the past; I mainly do flood: but, you know, people don't really realize that, you know, where it rains, it floods. You know, and you mentioned about special hazard areas: you know, you don't have to be in one of these special hazard areas, you know, where it rains, it floods. And you know, we've seen what's happening in the Northeast right now: several inches of rain falling in a very short period of time caused devastating damages. But we also saw that same kind of damage happening in California earlier this year.

And for all of these kind of disasters, you know, it's just so important that you, like I said, have a plan that you know, and make informed decisions, and you're insuring for that financial loss that could devastate you. For some people, that could be \$25,000. For some people it could be millions of dollars, you know, for them, they can afford probably to self-insure a bit, but not everybody can afford that. So, you know, just that message

has to be consistent from all those different avenues. So I think that's great advice.

Kyra (CREW) Is there anything that we've missed that you really want to make sure is included in this conversation?

Amy Bach I mean, the only other thing I'd say is that, I have gone through this process myself, as a homeowner in San Francisco, of analyzing whether or not it's worth paying for earthquake insurance. And I reached the conclusion that it was worth it, and I have earthquake insurance. But I did—, I made the decision based on the fact that my house is a soft story, which means there's a lot of weight on top of a garage without support in the middle, which is, you know—, you don't have to be an engineer to understand that that's a vulnerability. And also I know enough about the soil and the conditions at my house to know that it would—, that my house went through the—, well actually, my house was built after the '06 earthquake in San Francisco—not that much after, so I pray that when it was built, they were still remembering the earthquake. It hadn't been that long ago, and—, but it was enough to make me think, you know: old house, soft story, I have a lot of equity—all of those are reasons why I wouldn't walk away from this house. Therefore, I need the financial wherewithal to pay for the repairs if I were—if we were—to go through an earthquake. And I think the likelihood of my home being damaged is fairly high. And I know that there was some damage from Loma Prieta to my house. So all those things—I'm not, I don't, you don't have to be an expert to think about the vulnerabilities that your house has. You just have to think about it.

Leesa Tomsett Right. And as far as, you know, it's all about, again, being informed, being informed, educating yourself. Another good resource for people is [disasterassistance.gov](https://www.disasterassistance.gov). If you're wondering what the federal government could do for you in a disaster, there's a lot of good information on there, there's also a lot of really good handouts and publications that help educate the public. And I'm sure, like I said, the state—, I'm sure the state has equally good resources. Use what's available to you and, I guess, ask the questions, educate yourself, and know—, become an informed consumer so that you are—, you know, and you have the things available to you, and you know what's available to you, and the means to be able to protect yourself and protect your family.

Kyra (CREW) Leesa Tomsett and Amy Bach, thank you for speaking with us today.

Pascal (CREW) This episode of the Ready to Recover podcast series was produced by CREW.org, with funding from the National Earthquake Hazards Reduction Program.

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Thank you for listening.