

# A POLICYHOLDER'S GUIDE TO TORNADO INSURANCE CLAIMS



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## Statistics

- The United States sees over 1,200 tornadoes per year – four times as many as in Europe.<sup>1</sup>
- Tornadoes typically strike in the spring – about 70% of tornadoes occur between March and June.<sup>2</sup>
- Oklahoma alone averages about 52 tornadoes per year.<sup>3</sup>
- While the core of “Tornado Alley” is considered northern Texas, Oklahoma, and Kansas, the area extends north all the way to Canada (which has more tornadoes than any other country except the U.S.) and out through large swaths of the Deep South and Midwest up to Ohio.<sup>4</sup>
- The amount of property damage wrought by tornadoes nationwide varies wildly from year to year. The National Oceanic and Atmospheric Administration (NOAA) estimated that there was about \$700 million in property and crop damage from tornadoes in 2022.<sup>5</sup>
- 2011 saw a record \$9.5 billion in property damages caused by tornadoes in the U.S. 2013 and 2019 both saw over \$3 billion in damages each.<sup>6</sup>
- According to NOAA, the risk of extreme weather related events is increasing. The five years with the most tornadoes were 2004, 2011, 2008, 2019, and 1998.<sup>7</sup>

*See References on page 10.*

## Introduction

Tornadoes are terrifying events. They can strike out of the blue with barely any warning. With all the meteorological advancements that have been made in the last 50 years, National Weather Service tornado warning times are still, on average, a mere 10 to 15 minutes in advance.

You have only minutes to get you and your family to safety, while your home, your car, and all your possessions are exposed to a whirlwind that could leave nineteen houses on a block undisturbed while demolishing the twentieth.

It's hard to imagine a more essential and deserving reason to have insurance. For that very reason, it's an intensely frustrating experience when your insurance company fails to cover your insurance policy coverages or takes months to make a payment while you attempt to rebuild your life from the wreckage.

This tornado eBook shows you how to prepare for the storm in every sense of the word: from protecting your family and securing your property through preparing for a storm and, ultimately, understanding your insurance policy coverages and what to do if damage occurs.



## Documenting Your Property

### The Importance of Home Inspections

To get the coverage you need, it's critical to document your property. Keep records from your last home or property inspection, and if it's been more than a decade since your last one, be proactive and get another inspection. A new home inspection costs a few hundred dollars, but it could save you tens of thousands down the road.

Many insurance companies used to go out and conduct underwriting inspections: The insurer would send a representative, an underwriter, or they hired a third party to take an initial survey of the condition of your property before they approved your policy. This has become much rarer today, especially among major carriers and for low-premium policies. This newer way of doing things puts the burden on policyholders to establish a baseline for the condition of their property prior to a claim.

If you can, go with an insurance company that completes a thorough review of your property at inception and

performs regular inspections on renewals. If your insurer doesn't suggest an underwriting inspection, request one. This way, either they do one, or there is a record of their refusal to do their due diligence.

### Making an Inventory

Photograph your home inside and out. Keep a complete inventory of your possessions, and back it up with photographs (receipts and serial numbers are helpful backups as well). The more detail, the better. Update the list once a year, and store your records on a remote server or the cloud to ensure they're accessible and won't get lost in a storm. High-value items, such as antiques in a home or heavy equipment in an office building, may warrant additional appraisals or increased coverage limits.

If the process of keeping records feels too overwhelming, there are home inventory apps and software you can use. There are even professional inventory services if you're looking for particularly detailed and impartial documentation.



## Preparing for a Tornado

Here are some basic ways to prepare for a tornado in order to keep yourself and your family safe.

### Have an Emergency Plan

- **Designate a safe shelter or room.** The lowest level of your home — away from windows — is ideal. A basement or storm cellar works best. Failing that, go with an interior room on the first floor without any windows: Bathrooms are often a good option — or even the space under the stairs.
- **Get your safe place ready.** You can do this each year at the start of spring, which coincides with the beginning of tornado season.
- **Stock your emergency supplies.** Put new batteries in radios and flashlights. Store non-perishable food, blankets, water, first-aid kits, supplies for pets, etc. Think of it like part of your spring-cleaning routine.
- **Register your storm shelter.** If you have a shelter and you're somehow blocked by debris from leaving the shelter after a storm, emergency crews know to search for you.
- **Practice tornado drills.** Everyone in your household should know where to go and what to do.
- **Determine how to communicate.** Figure out how to communicate with family members if separated during a storm.

- **Keep copies of important documents.**

Store insurance information, copies of your ID, and vital records in a secure, waterproof container. A safe can be a good option. The cloud or some other form of remote server also works well for storing copies of inventories.

### Stay Informed

- **Monitor weather forecasts.** Pay close attention to thunderstorm warnings, tornado watches, and tornado warnings.
- **Connect to an alert system.** Sign up for weather alerts through your local authorities, apps on your phone, or a NOAA weather radio. Learn what the tornado siren in your area sounds like, and train yourself to listen for it during storms.
- **Act Immediately.** When a tornado warning is issued, act right away. Don't wait until it's too late. Seek shelter in your designated safe place immediately until the all clear is given.
- **Seek shelter.** If you're outside, immediately pull over and seek shelter, ideally in a sturdy building. If you can't find shelter, lie flat in a ditch along the side of the road or in some other low-lying area, and cover your head.



## Knowing Your Policy

Understanding exactly how your insurance policy works is critical to making sure you're protected. But understanding these policies isn't as easy as it might seem. It certainly isn't as easy as an insurance agent makes you think it is.

Remember, these are lengthy legal documents with technical language often difficult to interpret for anyone who isn't an expert. That can include insurance professionals themselves, which is why it's critical to make sure your insurance agent explains how your policy works to you in plain language. Ask questions posing real-world scenarios:

- "What would be covered if a tornado caused significant structural damage to the foundation of my house?"
- "What would happen if a tornado led to flooding that destroyed personal property on the first floor and led to mold growth?"
- "Would the gazebo behind my house be covered if it was damaged or destroyed by a tornado?"

Get particular with your questions, and record your insurance agents' answers. The same way you keep records of all your property, you should keep records of every interaction with your insurance company. If you can't literally record them with a microphone or on your phone, take notes, then send them an email after the meeting confirming the explanations they gave you.

### Types of Coverage

Discuss your policy with your insurance agent to determine the type of coverage you need and what you can afford. You should read your policy carefully to make sure you understand the causes of loss the

policy insures, the types of property it covers, and any noteworthy exclusions to be on the lookout for. Also, verify coverage amounts are correct, or you could find yourself underinsured.

Most of the damage caused by a tornado typically comes from wind and hail, which usually fall under the dwelling coverage in your homeowners insurance. But you also want **Other Structures coverage** (for unattached garages, buildings, and fences) and **Additional Living Expenses (ALE) coverage** (for costs that arise if you're forced to live somewhere else while your home is being repaired).

Temporary living expenses are also important to understand if a tornado renders your house uninhabitable. Coverage for alternative living expenses or business interruption are generally subject both to a time deductible and a policy limit, i.e., the coverage begins after a designated number of days or weeks. During this time, the losses and extra expenses are borne by the policyholder.

Obviously, every policy comes with a trade-off between the cost of your premiums and the level of risk the policyholder is willing to assume. Remember that most "all-risk" homeowners policies don't provide coverage for all risks. For example, a typical "all-risk" policy covers losses caused by tornado winds but doesn't cover losses caused by flooding.

### Flood Insurance

Damage caused by flooding needs to be addressed by separate flood insurance. While people recognize flooding is one of the primary risks accompanying hurricanes, it's less understood how often flooding can accompany tornadoes. One study in *Physics Today* found that tornado and flash flood warnings generally occur within 30 minutes of each other about 400 times per year.



## Deductibles

You should also remember that a single policy can have varying deductibles for different causes of loss. While a policy might provide a fixed deductible for damage caused by fire, homeowners insurance policies typically have separate deductibles for windstorms and hail that are usually listed as a certain percentage of the home value (often 1 to 5 percent) as opposed to a fixed dollar amount. That means you could be responsible for paying anywhere from \$4,500 to \$22,500 on a \$450,000 house before your policy covers any additional damages from a tornado.

## Actual Cost Value Versus Replacement Cost Value

It's important to understand whether your policy covers the **Actual Cost Value (ACV)** or the **Replacement Cost Value (RCV)** of your losses. Let's review the difference:

- Replacement value coverage permits the policyholder to replace lost or damaged property with new property regardless of the "depreciation." In other words, if a six-year-old roof is destroyed in a tornado, a replacement value policy will cover the cost of a new roof.

- Actual cost value coverage provides the cash value of the roof at the time of the loss (i.e., minus seven years of depreciation). Actual cash value policies are typically more affordable than replacement cost because they cover less. Make sure you understand this when you're purchasing coverage.

## Recoverable Depreciation

Be on the lookout for recoverable depreciation. Sometimes insurers only issue a check for the actual cash value and won't pay out the remainder of the replacement cost until the policyholder has made the replacement purchase. Insurers sometimes play down this feature of the policy so that policyholders won't realize they're entitled to further payment for what is often referred to as "holdback" or "recoverable depreciation."

If you're uncertain what your current policy covers, talk to your insurance agent and ask thorough questions about real-life situations like the examples mentioned above. If you feel like you aren't getting straight answers, or you're concerned by difficult-to-understand policy language that isn't being adequately explained by your agent, you can always speak with an experienced insurance coverage lawyer.



## What To Do When You File a Claim

The unthinkable happened: A tornado struck your property, and you're dealing with the aftermath. As always, your top concern is the health and safety of you and your family. In the immediate aftermath of a storm you should attend to any injuries, and seek immediate medical help if needed.

After that, assess the damage, paying attention to fallen power lines, gas leaks, and structural instability, all of which require immediate professional emergency assistance. The primary concern is determining whether your home is still safe to occupy.

### Documenting the Damage

As soon as it's feasible, you should alert your insurance company and – and this is critical – begin documenting the damage yourself. Take detailed photos or even videos of the damage with a camera or smartphone. Be as thorough as possible. Don't just take a single photo from far away. Get as close as you safely can to every part of your damaged home to document everything. That means close-up photos of everything that's been affected by the storm.

### Look out for Structural Issues

Keep an eye out for less visible forms of damage. Tornadoes have the ability to completely demolish a home – but they also have more sinister ways of causing roof and foundational damage that's less obvious at a

glance. Tornado winds can lift a roof up off a house then drop it back down, warping and twisting it out of place. They can rotate foundations and cause cracks. Ideally, you should hire a good structural engineer who gets up in the attic and looks forensically for the telltale signs. Just as you would inspect a roof to see if there's hail damage by checking for dents and dings, you should look for:

- Nail pops
- Beams that have been twisted or torqued
- Cracks in lumber or in the foundation

If your home was damaged by strong winds and hail but wasn't in the direct path of a tornado, it's still important to make sure you carefully document the damage. Insurers often use the fact that a property wasn't immediately within the storm's path as grounds to deny a claim, so carefully detailing all of the damage, especially when it's brand new and the evidence of the storm is at its freshest – helps you document your loss and damages.

Contact your insurance company to begin the claim process as soon as possible after the storm. Life gets in the way after a disaster – there are many other things to attend to, and if you're still living on your property, you probably want to start the clean-up and repairs as quickly as you can. But you also want the damage to be as fresh and evident as possible for when the insurance adjusters come to document the claim for the company. Remember, they're likely to be busy, especially after a major storm, so the sooner you can get them out to your property, the better.



## How To Work With Adjusters

Make sure you follow the adjusters around as they document the damage to your property. Point out everything you can, and if they're unable or unwilling to document parts of the property, follow up with an email to them afterwards, making note of what they did and didn't do.

For instance, if the adjuster surveys the damage to your roof from the ground floor but doesn't get up on a ladder to check it out in detail, make note of that, and send them an email that notes that fact. Also, make a note of any promises they make or estimates that they give you, then communicate that back to the

company in an email. Additionally, check with your adjuster to find out what company they work for. Often larger insurance companies farm out adjuster work to independent adjusters – sometimes even equipping them with the insurance company's logo or branded paraphernalia even though they're independently contracted adjusters.

It's also important that you, as the policyholder, stay involved with the claim. If the repair work is being done by a contractor that's filing for repayment on your behalf, don't leave the work all to the contractor. Make sure that you stay involved in the process.



## What To Do if Your Claim Is Denied

The most common reason insurance companies deny claims for damage from tornadoes is because the funnel didn't touch down directly on the property. But the impact of a tornado isn't just where the funnel hits. It's within miles of the eye of that storm because of the updrafts, the flying debris, and all the suction the storm creates. Tornado winds can bombard a home with debris, leaving lasting damage all over the structure.

Here are some other common reasons insurance companies deny claims:

- **Not enough coverage.** The insurer claims your policy limits might not have been adequate to cover the total damage caused by the tornado, or they lowball the estimate so that it doesn't exceed your deductible.
- **Excluded perils.** Standard homeowners policies don't include flood damage, which can accompany tornadoes. You may need separate flood insurance.
- **Neglect and poor maintenance.** If your insurer determines that damage resulted from pre-existing issues or poor maintenance on your part, the claim could be denied.
- **Late reporting or missed deadlines.** Insurance policies have strict deadlines for filing claims. Failing to file a claim promptly can be grounds for denial, which is why it's important to begin the process immediately, and keep it going until you receive payment.
- **Lack of documentation.** If you can't provide photos, videos, receipts, or a detailed home inventory, your claim could be denied or reduced on the grounds that there isn't sufficient evidence for your claim.
- **Disputes over damage caused.** Insurers may claim damage was caused by something excluded from your policy (i.e., wear and tear or flooding), rather than the tornado itself.

If your claim is denied, it's crucial to be persistent. Obtain an explanation for the denial in writing, consult your policy, gather your evidence, and dispute the coverage decision. Insurers often initially deny a claim simply as an opening tactic. Don't be disheartened. Make it clear that you're going to push back. If the insurance company continues to delay your claim, or you believe they are not being treated in good faith, you may consider filing a complaint with your state's Insurance Department.



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## Call Merlin

If you think an insurer has undervalued your property, is delaying paying what it owes, or is refusing to pay a valid claim, reach out. You deserve advice from an attorney with substantial experience in first-party property insurance claims.

Since 1985, **Merlin Law Group** has represented policyholders in states all across the country from Florida to California. Our attorneys have represented homeowners, small business owners, school districts,

municipalities, government entities, and even industrial farms – clients that have suffered almost every catastrophe imaginable only to find that their insurer refused to pay what they owed. If you need assistance with any part of the insurance claims process, call us. As The Policyholder's Advocate™, we have your back.

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