



EXTENSION

FCS-4142

Financial preparedness for wildfires: What to do before and after

June 2025

Protecting your home and finances before and after a wildfire

Wildfires can cause devastating losses, but being financially prepared can make recovery smoother. This factsheet explains how to protect your finances before and after a wildfire.

Before the wildfire

1. Review your insurance policy
 - a. Replacement cost vs. actual cash value
 - Replacement cost: Pays to replace lost or damaged items with new ones of a similar kind and quality, without deducting for age or wear.
 - Actual cash value (ACV): Pays only the current market value of lost items, which may be much less due to depreciation.
 - Example: If an eight-year-old washing machine is destroyed, replacement cost coverage pays for a new one, while ACV coverage only reimburses what the old one was worth today.
 - b. Extended replacement cost
 - After a wildfire, rebuilding costs often rise due to high demand for labor and materials. This coverage adds extra funds (often 25% more) to help cover these increased costs.
 - Example: If your home is insured for \$300,000, extended replacement cost might cover up to \$375,000 if needed.
 - c. Guaranteed replacement cost
 - Covers the full cost to rebuild your home, even if it's more than your policy limit.
 - Not all insurers offer this, so check your policy or ask your agent.
 - d. Building code upgrades
 - Building codes change over time for safety and environmental reasons.
 - If your home was built years ago, new codes may require upgrades when you rebuild.
 - This coverage helps pay for those extra costs, so you don't have to cover them out of pocket.
2. Key coverages to check
 - a. Dwelling coverage: Covers the structure of your home, including the roof, floors and built-in appliances. Make sure your limit is high enough to fully rebuild.
 - b. Personal property coverage: Covers your belongings (furniture, electronics, clothing, etc.). Check that your coverage limits are enough to replace everything.
 - c. Additional living expenses (ALE): Pays for temporary housing and other costs if your home becomes unlivable. This may include:
 - Hotel stays or rental costs.
 - Extra gas for commuting.
 - Storage or moving fees.
 - Furniture rental for a temporary home.
 - Check your policy's time limits and coverage limits to avoid unexpected expenses.
 - d. Landscaping coverage: Fire damage to plants, trees and shrubs may be covered, but typically with limits. Review your policy for specifics.

- e. Smoke and water damage coverage: Most homeowners insurance policies also cover smoke and water damage, which can occur as a result of the wildfire.
3. Create a home inventory
 - a. A home inventory helps keep track of your belongings and their value. If a wildfire damages your home, having a record of your items — including photos and receipts — will make it easier to file an insurance claim and get reimbursed.
 - b. Ways to create a home inventory:
 - Make a checklist — write down a list of all your belongings.
 - Take photos — capture clear pictures of valuables and their condition.
 - Record a video — walk through each room, narrating what you own.
 - Use a smartphone app — some apps help you organize and store inventory details, One recommended free tool is the [NAIC Home Inventory App](#), which allows you to upload videos and photos, enter item details (such as purchase date, price and brand) and export your list for safekeeping.
 4. What if you're a renter? Consider renters insurance
 - a. Your landlord's insurance covers the structure of the building, but not your personal belongings inside the unit.
 - b. Renters insurance can cover your personal belongings.
 - c. Most renters insurance also include ALE if your rental becomes unlivable.
 - d. Renters insurance is generally affordable, often around \$20 per month, but can save you thousands in a disaster.
 - e. Just like homeowners, renters should also create a home inventory.

After the wildfire

1. File your insurance claim quickly
 - a. Contact your insurance company as soon as possible (online, by phone or through an app). Ask key questions:
 - Does my policy cover the damage to my home?
 - How long will it take to process my claim?
 - Will I need to get repair estimates?
 - What is my deductible? (This is the amount you must pay before insurance starts covering costs.)
 - b. Request a full copy of your insurance policy (your insurer must provide it for free within 30 days).
 - c. Document the damage
 - Take detailed photos and videos of all damage.
 - Make a list of damaged or destroyed belongings (this is easier if you made a home inventory).
 - d. Don't make major repairs yet
 - Wait for the insurance adjuster to inspect your home before making big repairs.
 - You can take temporary actions, like covering holes in the roof with a tarp, to prevent further damage.
2. Work with your insurance adjuster
 - a. Your insurer will send a claims adjuster to assess the damage.
 - b. The more information you provide about your loss, the sooner your claim can be settled.
 - c. Keep track of all conversations and paperwork in a claim diary.
3. Keep all receipts
 - a. Save receipts for any expenses related to your loss, including:
 - Hotel stays.
 - Meals.
 - Rental cars.
 - Temporary home costs.
 - b. These may be reimbursed under your ALE coverage.
4. Contact your mortgage lender
 - a. Inform them of the situation.
 - b. Even if you can't live in your home, you still need to keep making payments.
 - c. Some lenders can help by offering payment delays or special disaster programs, so it's important to communicate early.
5. Rebuilding and making decisions
 - a. Understand your coverage: Your policy may cover the cost of rebuilding your home, but check if it includes: Building code upgrade coverage and extended replacement cost.
 - b. Compare repair estimates
 - Get at least one independent contractor's estimate to compare with your insurer's estimate.
 - If you're unsure, consider consulting an expert to verify the true rebuilding cost.
 - c. Know your rights and options
 - You can rebuild in a new location and still receive full replacement cost benefits (if included in your policy).

- You don't have to use the contractor recommended by your insurance company and you can choose your own.
- Consider community rebuilding programs to lower costs.
- Take your time choosing a contractor — don't rush into agreements.

6. Do you need a public adjuster or attorney?

- If your claim is complex or your insurer is slow to respond, you might consider hiring:
 - A public adjuster (they work on your behalf to negotiate your claim but take a percentage of your settlement).
 - An attorney (if legal action is necessary).
- Only hire a public adjuster if absolutely needed as they take a portion of your payout.

Be aware of scams and fraud

After disasters, scammers often target people who are stressed and looking for help. Be careful of:

- Contractors who demand full payment upfront or offer too-good-to-be-true deals.
- Fake insurance adjusters or people asking for personal information.
- Phone calls or emails pretending to be from your insurance company or FEMA.

Tips to protect yourself:

- Always ask for ID and verify the person's company or license.
- Never give out personal information unless you're sure it's safe.
- If something doesn't feel right, take your time. Ask questions and never feel pressured to act quickly.

While dealing with the aftermath of a wildfire can be overwhelming, being prepared helps ensure a smoother recovery. Review your insurance policy, create a home inventory and know your rights. Keep detailed records, ask questions and don't hesitate to seek professional help if needed. Taking these steps can protect you financially and give you peace of mind during this challenging time.



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Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Director of Oklahoma Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Vice President for Agricultural Programs and has been prepared and distributed at a cost of 20 cents per copy. June 2025 SM.