

Consumers Educational Needs Pre- and Post-Disaster:  
Lessons From 2005

Linda A. Bradley, *University of Kentucky*  
Raymond E. Fogue, *University of Kentucky*

It is estimated that some form of disaster (natural or man-made) occurs somewhere in the world every day (Norris, Perilla, Riad, Kaniasty, & Lavizzo, 1999). Disasters affect many lives and generate tremendous economic and financial losses. In the aftermath of a disaster, survivors face the task of securing the necessary resources to begin the recovery process. Resources can be both internal and external. External resources can be from homeowners and flood insurance, government-related disaster relief, and privately provided emergency funds. Research has shown that a disconnect often exists between survivors' expectations for external assistance and the actual outcomes of assistance programs, including those from government-based programs, non-profit organizations, and insurance providers (Schneider, 1992). The events of 2005 surrounding hurricanes Katrina and Rita and the subsequent flooding of New Orleans demonstrate the need for continued education to assist consumers in preparing for the unexpected.

In 2007, a qualitative research study was conducted to examine the coping strategies and resources (both internal and external) available to, and utilized by, survivors of hurricanes Katrina and Rita (Bradley, 2007). Emphasis was given to how survivors coped with and then began to recover from their disaster-related financial losses. This study, framed around the Double ABCX model of family stress theory (McCubbin, 1982) and the model of family resource management (Deacon & Firebaugh, 1981), explored how families from different income levels sought out, acquired, and managed available resources during the disaster. It also addressed the impact that post-crisis stressors had on participants' ability to move through the recovery process.

This paper presents a subset of the findings from this research. Specifically, this study investigates the financial experiences of eight families from New Orleans who survived Hurricane Katrina. The focus is on three key areas: (1) survivors' past experiences with disasters and disaster relief, (2) survivors' perceptions of the responsiveness of insurers, and (3) survivors' perceptions of the responsiveness of non-profit and government agencies. Also, included are implications for consumer educators for the provision of both pre and post-disaster education to help mitigate the potential impact of financial losses resulting from a natural disaster.

### Methodology

Participants for the study were chosen from households located in the New Orleans Metropolitan Area before Hurricane Katrina and from those who chose to return to the area post-disaster. Due to the logistics of recruiting from a distance, participants were recruited through the use of third-party contacts. Churches, organizations, and personal contacts located in the New Orleans Metropolitan Area were contacted and asked to assist in recruiting participants. The study sample consisted of at least one adult household member from ten households. Two of the households were excluded from the final analysis because they ultimately chose not to return to New Orleans. Of the eight remaining households, four were classified as higher income, two as middle income, and two as lower income. Also, five of the participating households were married with the remaining participating households classified as divorced. Five of the eight households had minor children residing with them at the time of the storm. All of the households interviewed were homeowners with two of the eight households being mortgage free. Each participant resided in a different geographic region within the New Orleans Metropolitan Area, ranging from some of the worst hit neighborhoods (New Orleans East and the Ninth Ward) to areas on the Westbank (south of the Mississippi), which sustained

damages as a direct result of wind and rain-driven flooding from Hurricane Katrina. All of the participants evacuated prior to the storm and experienced financial losses as a result of the mandatory evacuation period in addition to storm-related property damage.

Due to the dearth of previous research on coping strategies and resources that lead to recovery from disaster-related financial losses, a qualitative research methodology was employed. The goal was to gain a better understanding of the experiences of individuals and families affected by Hurricane Katrina and to further explore what coping strategies and resources assisted them in recovering from the financial losses sustained as a result of the storm. The qualitative methods employed included structured and face-to-face unstructured interviews, participant and field observations, interviews with resource providers, use of field notes and logs, and the collection of documentation on the external resources available to survivors.

Data collection took place from January 2007 to April 2007, with face-to-face interviews conducted either at the participant's residence or at a mutually agreed upon location in the New Orleans Metropolitan Area. The unstructured interviews, ranging from one to three hours, included open-ended questions prompting interviewees to share their pre-crisis experiences as well as their experiences during the evacuation and recovery periods. Participants were encouraged to tell their story in the best way they saw fit. Open-ended questions focused on: (1) their prior experiences with hurricanes and flood-related losses; (2) their pre- and post-crisis financial status; (3) the meanings and perceptions they attached to the disaster; (4) the coping strategies and resources that were available and utilized by their household to cope with the financial hardships brought about by the disaster; and (5) the manner in which they implemented the decision-making process to manage available resources.

Interviews were transcribed based on audio recordings and field notes taken by the interviewer. Every attempt was made to provide full, verbatim transcription of the interviews. Interview

transcriptions were returned to the participants for review, and follow-up interviews were conducted by either telephone or e-mail. Interview transcriptions and field notes were then coded and analyzed to identify key categories that represented the coping strategies and resources utilized by the individuals and families, as well as to identify post-disaster stressors that occurred and components of the decision-making and resource management process. These key categories were used to further analyze the data to identify descriptive information about the participants, events, and perspectives, and to formulate specific assertions that emerged from the data. These assertions were then written up using a narrative format that allowed the information provided by the participants to be retold in a descriptive manner while still giving voice to the participants' individual stories (Creswell, 2003). The combination of the participants' experiences, along with the documented knowledge of coping strategies and resources, helped to provide deeper insight into the findings.

## Findings

This paper focuses on presenting the findings from three key sets of questions related to: (1) survivors' past experiences with disasters and disaster relief, (2) survivors' perceptions of the responsiveness of insurers, and (3) survivors' perceptions of the responsiveness of non-profit and government agencies. We focus on these three key areas because participants' experiences indicate that post-disaster stressors may have been minimized had the processes of acquiring resources from insurance providers and non-profit and government agencies been less confusing and time-consuming. In general, the findings revealed that participants had concerns regarding: (1) homeowners as well as flood insurance coverage; (2) the complicated processes associated with filing claims; (3) unfair appraisals; and (4) insufficient award amounts. In terms of non-profit and government-based agencies, participants also identified the complicated application process, as well as the uncertainty of available resources as a main source of

post-disaster stress. Frustration was also expressed regarding the processes of documenting and verifying claims in order to receive assistance.

### Survivors' Past Experiences with Natural Disasters

Previous experiences with generating or securing resources (such as securing personal or business loans) helped participants better navigate the decision-making and recovery process. However, prior experience with hurricanes, flooding, and evacuations appeared to have a negative impact on some of the participants' risk management decisions. The widespread flooding, the length of time before standing water was drained off, the extended evacuation period, and the high incidence of mold damage were contrary to participants' prior experiences. Several participants stated that they based their pre-disaster preparation and risk management decisions on prior instances of hurricane and flood damage in their area. Rita, a 52-year-old paralegal, noted that *"we've been here a long time... we've done this drill several times"* when referring to pre-storm evacuation preparations. Rita shared that they took no steps to move property out of the way of potential floodwaters. Decisions regarding asset protection and insurance limits were also based on prior experiences with flooding. Frances, a 57-year-old divorced mother of three grown children, shared that her home in New Orleans East *"had never come close to flooding."* She had adequate homeowners insurance for wind damage, but only carried minimal flood insurance based on the fact that it had not flooded in her neighborhood in the thirty years she had lived there.

### Survivors' Perceptions of the Responsiveness of Insurers

Survivors generally relied on standard forms of auto and homeowners insurance, as well as flood insurance to mitigate the losses incurred as a result of flooding. Participants reported that there were ongoing conflicts with both the National Flood Insurance Program (NFIP) and the providers of their homeowners' insurance as to whether the damages they received

were the result of "wind or water." Gene, a 53-year-old business owner, whose home was not flooded directly but suffered foundational damage due to the flood run-off, stated, *"My wife and I, we thought we had all the insurance we needed. And flood insurance hasn't paid us a dime yet. And we are now almost a year and half out."*

Most of the participants who had homeowners' insurance expressed frustration at the amount of time it took to get through the claims process and actually receive money from their insurance providers. Again, many felt that they were not getting fair appraisals and that the insurance companies were trying to get out of paying claims. Anne, a 53-year-old business owner and former schoolteacher, said of her husband, *"He's an insurance hassler. My husband's full-time job now is to bother the insurance company so we get our money. That's all he does. Morning to night. He has all their e-mails, he has all their cell phones, and he has all their fax numbers, all their first names. He wrote down a list of what they like. You have to become their intimate friends if you expect anything."*

The National Flood Insurance Program (NFIP), a federally-funded resource, requires consumers to pay insurance premiums on a regular basis to have access to this resource. Most of the participants reported receiving funds from NFIP although several mentioned being underinsured or receiving inadequate appraisals from the NFIP adjusters. One participant, Katherine, a 53-year-old divorced mother of two, did not have any flood insurance, which appeared to be common for the elderly and low-income households whose homes were paid off. According to Rob, a professional in his 50's, many of the elderly in his neighborhood *"stop paying on their flood insurance once they pay off their house because it is no longer required."* Flood insurance also does not provide coverage for personal belongings kept in a basement such as furniture and other contents (FEMA, 2006). Rita's college-age daughter lived in a separate apartment in the basement of Rita's home. According to Rita, *"She lost everything and she didn't have renters' insurance for downstairs."*

Several participants noted that the appraisals they received from NFIP for the damages and the cost to repair their homes

were unfair. Issues arose in terms of whether the coverage was for replacement cost or actual cash-value for both homes and automobiles. Rita was still "battling" to receive full compensation for the flood damage to her home. According to Rita, *"The National Flood people, that was kind of a hassle because the guy came out and inspected the house and came up with this - It will be \$120,000 to fix it and with all the depreciation and stuff, here's \$95,000."* Rita contends that, *"It doesn't matter, it is whatever it cost to get it fixed. So, they still owe me basically \$40,000. That was kind of the hassle with them. Coming out and doing their appraisal and coming up with this figure that wasn't anything near what it was going to cost to fix the house."* The flooding also totaled out her daughter's car. According to Rita, *"She lost her brand new car, which still had a \$10,000-\$12,000 loan. Her daddy had to pay for it; he had to write a check. Well, of course he couldn't write a check for it, he had to borrow money."*

#### **Survivors' Perceptions of the Responsiveness of Non-Profit and Government Agencies**

Participants turned to a variety of non-profit and government agencies for post-disaster relief. While all acknowledged and appreciated the relief received for immediate needs, several participants shared that they were unaware of what resources were available and also spoke of the time-consuming and complicated process of applying for and receiving relief. Anne spoke of her attempts to get relief from the Red Cross in the form of a food voucher. According to Anne, it took her and her youngest daughter 18 hours to finally get through to a Red Cross representative on the phone. Anne also spent six and a half hours in line in Baton Rouge to get a food stamp Visa card. Another participant stated, *"I didn't know I could get food stamps."*

Several participants spoke of the difficulty of securing rental assistance through the Federal Emergency Management Agency (FEMA). Rita shared, *"With FEMA, you did it online and then you tried to follow up with calls and the rental assistance....you have to prove this and you have to have that and just kind of crazy stuff."* Rob and

Gail, a professional couple, shared that, *"We had neighbors that every month, FEMA would always say to them, 'Oh, we didn't get your paperwork, fax it again.' So they got to where every month they were faxing like 30 to 35 pages. You know, and you feel like you are just faxing it into oblivion."*

Participants also expressed concern about the time it took to actually receive assistance after submitting a claim, especially in instances related to the rebuilding of their homes. This was especially true for individuals who applied for compensation grants through The Road Home Program, a government-based program that emerged post-disaster to compensate homeowners in the state of Louisiana for losses (Louisiana Recovery Authority, 2006). Louise, a tax professional, spoke of additional issues with the appraisals offered by The Road Home Program. According to Louise, *"An adjuster comes in and adjusts the house for this amount. As they (the homeowner) go into fix it and start pulling board, they are finding more damage. So now, they need a readjustment. And to get that, it gets slowed up, getting additional monies....so you have properties that are being exposed. Some of them, the work had begun, they run out of money, so now it is exposed to the elements and they are waiting on money. What they have done, in a lot of cases, will have to be redone once they have money. They are still losing money. It is outrageous."* Francis had applied for a grant through The Road Home Program but was appealing the award amount, stating, *"I have my loan approved with the SBA, but The Road Home, I'm not going to wait for it. I'm just going to go ahead with the SBA loan and when the Road Home money comes in, I'll just go ahead and apply it to the loan."*

#### **Implications for Consumer Educators**

Families faced with an extreme loss of financial resources after a natural disaster utilize a number of coping strategies and resources to assist in their recovery process. The participants in this study attempted to gain access to whatever resources they perceived as available; however mid- to higher-income participants

appeared more likely than lower-income participants to actively seek out and successfully secure the external resources provided by the government, organizations, and businesses. Lower-income participants were more likely to rely on volunteers outside their social network and on donations, suggesting that securing government and business resources may have presented an obstacle for low-income families. Access to information about less publicized resources might also have been an obstacle for these families.

Consumer education can help minimize the disconnect between survivors' expectations for assistance and the outcomes of receiving assistance via insurance providers, non-profit organizations, and government agencies. Specifically, education can help to prepare individuals for the potential impact of a disaster and provide continued education in risk management and loss prevention both pre- and post-disaster. Continuing education can also help keep disaster survivors informed about available resources and the necessary steps to apply for those resources.

### **Educational Needs Pre-Disaster**

*Emergency Funds.* Educators need to reiterate the importance of establishing emergency funds and stress that relying on credit is not desirable, as survivors of Hurricane Katrina discovered. Survivors who relied on credit cards as a source of emergency funding are now saddled with substantial debt loads and may not have the means to pay off the debts, which can beget future financial strain. Gene, who lost his business in the flooding of New Orleans, shared that, "*When my money runs out, I'll be living on credit cards. I'm in more debt than I've ever been.*"

*Private Insurance.* Individuals rely on homeowners and auto insurance to protect their assets and compensate them for losses. However, few actually take the time to read their policies and tend to focus on what their policy covers without paying attention to what it excludes. Consumers should take note of perils that are excluded under most homeowner policies, such as flooding and

earthquakes, as well as policy limits on losses (e.g., losses where only a certain percentage of the replacement costs are covered). Some items, such as jewelry, gold, silverware and furs, may also be covered by special limits. Educators can assist individuals in understanding that standard policies are designed to meet the average person's needs and that anything out of the ordinary is often excluded. All of these exclusions can be overcome by purchasing "riders," or higher limits on their policies, which people tend to avoid because they cost extra.

Consumers also need to consider whether the coverage on personal property and the contents of their home are based on their replacement cost or their actual cash value. Cash value assessments take into account the cost of the item minus any depreciation that has occurred. For big ticket items (such as electronics and appliances), and even recreational vehicles and automobiles that may have been financed, consumers might be left owing more on the loans than what they receive in insurance proceeds if the assessment is based on actual cash values.

Consumers also need to be educated on the importance of re-evaluating their policies periodically to see if the coverage continues to meet their needs, especially for consumers in high risk areas. According to Garman and Forgue (2008, p. 279), homeowners can request that their insurance company "increase the coverage automatically each year to keep up with inflation in housing construction costs." If such provisions for automatic increases are not provided, it is necessary for consumers to re-evaluate their policy to ensure that they are not exposed to losses that would exceed their coverage. Finally, educating consumers prior to a disaster on how to document losses (including how to inventory property) and file claims with insurance providers can help to minimize the stress and confusion associated with securing resources post-disaster.

*Flood Insurance.* Consumer education can reinforce that, contrary to popular belief, flood insurance through the National Flood Insurance Program (NFIP) is available to anyone, including renters and those living in low-to-moderate risk areas. Individuals

living in high-risk areas are usually required to carry flood insurance by regulators or their mortgage lenders. However, those living outside of high-risk areas can also elect to carry flood insurance, usually at lower cost. Standard flood insurance covers up to \$250,000 for structures and \$100,000 for contents. Renters can also insure the contents of their household and their personal possessions up to \$100,000 (FEMA, 2006).

Educators also need to stress the importance of re-evaluating coverage limits on flood insurance for their homes, contents, and other personal property, as property values increase and the replacement costs of consumer goods rise. Emphasis also needs to be placed on the importance of maintaining flood insurance on mortgage-free properties, especially in high-risk areas.

#### **Educational Needs Post-Disaster**

Following a disaster, educators can assist consumers in gaining knowledge on the various non-profit and government agencies that provide disaster relief and how they work together. Educational efforts also need to focus on helping consumers document and file claims with government-based programs. Consumers also need guidance on how to practice due diligence when seeking out assistance from government-based programs given the numerous requirements that must be met to obtain relief. Survivors of Hurricane Katrina who applied for assistance through *The Road Home Program* were sometimes unaware of the provisions that ultimately determined their award amounts.

In addition to the above, consumers also need to be made aware of the fact that many non-profit and government agencies only provide assistance for basic short-term needs and that some assistance is dispersed in the form of low-interest loans. For example, the Red Cross generally only provides assistance for up to 30 days post-disaster unless mandated by the government to provide additional relief. Most of the disaster relief made available through the Federal government is in the form of loans from the Small Business Administration (SBA) that must be repaid (FEMA, 2008).

Many consumers are also not aware of the specific procedures that government agencies must follow to provide assistance post-disaster. Deviations from these plans can affect the government's ability to adequately supply aid to survivors and to supply that aid in a timely manner. According to Schneider (1990, p. 97), "the government's response to disaster begins with the local government and follows a series of pre-specified steps through the state and ultimately to the national government." Education geared towards informing consumers about the course of action they need to take post-disaster to document losses, as well as the types of assistance each non-profit and government agency provides, will expedite survivors receiving the necessary resources to begin the recovery process.

#### **Conclusions**

Few individuals, even those living in high-risk areas, anticipate experiencing the financial losses that accompany a natural disaster. Hurricane Katrina, and specifically the flooding of New Orleans, serves as a reminder to consumers and educators about the need to be prepared for the unexpected. Education geared toward making consumers aware of the exclusions and other provisions of homeowners and flood insurance, as well as how to document and file claims, may alleviate some of the post-disaster stress survivors face when attempting to secure resources. Educators can also promote general knowledge about non-profit and government relief agencies and the proper course of action that survivors should take to apply for assistance. Providing disaster relief education prior to the occurrence of a disaster, in addition to providing information post-disaster, may ultimately ease the strain for providers and consumers alike. Perhaps giving voice to the experiences of Hurricane Katrina survivors can serve to motivate consumers to implement the necessary risk management plans to protect their financial futures against disaster-related losses.

## References

- Bradley, L. A. (2007). *Recovering from financial losses: A qualitative analysis of coping strategies and resources among hurricane survivors* (Master's Thesis). University of Kentucky, Lexington, KY.
- Creswell, J. W. (2003). *Research design: Qualitative, quantitative and mixed methods approach* (2<sup>nd</sup> Ed.). Thousand Oaks, CA: Sage Publication.
- Deacon, R. E., & Firebaugh, F. M. (1981). *Family resource management principles and applications*. Boston, MA: Allen and Bacon, Inc.
- Federal Emergency Management Agency (FEMA). (2008). *Help after a disaster: Applicants guide to the individuals & households program*. Retrieved November 1, 2009, from [http://www.fema.gov/pdf/assistance/process/help\\_after\\_disaster\\_english.pdf](http://www.fema.gov/pdf/assistance/process/help_after_disaster_english.pdf)
- Federal Emergency Management Agency (FEMA). (2006, August 23). *Dispelling myths about flood insurance*. Retrieved November 1, 2009, from <http://www.fema.gov/news/newsrelease.fema?id=29182>
- Garman, E. T., & Forgue, R. E. (2008). *Personal Finance* (9th Ed.). Boston, MA: Houghton Mifflin Company.
- Louisiana Recovery Authority. (2006). *The road home housing programs action plan amendment for disaster recovery funds*. Retrieved November 1, 2009, from [http://www.doa.la.gov/cdbg/dr/plans/Amend1-RoadHome-Approved\\_06\\_05\\_11.pdf](http://www.doa.la.gov/cdbg/dr/plans/Amend1-RoadHome-Approved_06_05_11.pdf)
- McCubbin, H. I., & Patterson, J. M. (1982). Families adaptation to crisis. In H. I. McCubbin, A. E. Cauble, & J. M. Patterson (Eds.), *Family stress, coping, and social support* (pp. 26-47). Springfield, IL: Charles C. Thomas.
- Norris, F. H., Perilla, J. L., Riad, J. K., Kaniasty, K., & Lavizzo, E. A. (1999). Stability and change in stress, resources, and psychological distress following natural disaster: Findings from Hurricane Andrew. *Anxiety, Stress, and Coping*, 12(4), 363-396.
- Schneider, S. K. (1990). FEMA, Federalism, Hugo, and 'Frisco. *Publius*, 20(3), 97-115.
- Schneider, S. K. (1992). Governmental response to disasters: The conflict between bureaucratic procedures and emergent norms. *Public Administrative Review*, 52(2), 135-145.

Linda A. Bradley is Graduate Student, Department of Family Studies, School of Human Environmental Sciences, Department of Agriculture, University of Kentucky, 315 Funkhouser, Lexington, Kentucky 40506-0054; (859)257-7750; FAX: (859)257-3212; E-mail: labrad3@uky.edu

Raymond E. Forgue is Associate Professor, Retired, Department of Family Studies, Department of Family Studies, School of Human Environmental Sciences, Department of Agriculture, University of Kentucky; Home Address: 215 Middleton Place Drive, Piedmont, South Carolina 29673; (859) 552-7251; E-mail: perfinypm@yahoo.com