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The House is on Fire. . . Literally

2025 National Conference on Special Needs Planning & Special Needs Trusts
Friday, October 24, 2025, 3:30-4:20 p.m.

Presented by:
Bridget O'Brien Swartz, J.D., M.P.A.

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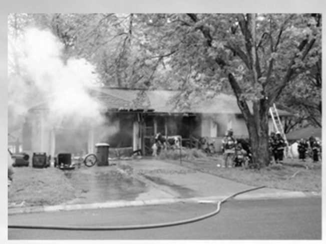
Background & Case Scenario

- SNT-owned home destroyed by first (beneficiary + family residents)
- No injuries, but total loss of property and contents
- Triggered immediate trustee responsibilities



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First Steps After the Loss

- File insurance claim immediately
- Master policy advantages vs. individual policies
- Concerns: Temporary housing & SSI/Medicaid compliance

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Master v. Individual Insurance Policy

Master Policy

- Broad named insured (fiduciary protected)
- Competitive premium broader coverage
- Guaranteed replacement cost
- Higher liability limits, lower deductible
- Broader sub-limits (valuables, business income)
- Earthquake, flood included

Individual Policy

- Grantor or beneficiary as named insured
- More expensive, limited coverage
- Scheduled replacement cost
- Lower liability limits, higher deductible
- Limited sub-limits
- Separate policies for earthquake, flood

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Alternative Living Arrangements

- Loss of Use coverage applied
- Hotel stay → long-term accessible rental
- Direct payment via insurer's third-party vendor
- Minimize/avoid SSI/Medicaid issues

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Reconstruction Process

- Insurer hired consultants & contractor
- Explained Actual Cash Value vs. Replacement Cost
- Trustee consulted Guardian on rebuild vs. liquidity preservation
- Decision made to reconstruct

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Medicaid Coordination (AZ)

- Notification to AZ's Medicaid agency required
- Advance approval of all first party SNT disbursements
- Submitted Statement of Loss, construction contract, deductible and payee info
- Medicaid approved construction disbursements (personal property TBD)

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Construction Challenges

☹ Cost overruns negotiated with insurer

☹ Permit delays extended timeline

☺ Lease extended 3 months

☹ Loss of Use funds stretched (and exhausted) to cover extensin

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HOA Involvement

- Paint & roof (within authorized material/color scheme) approval required
- Violation notices (overgrowth/landscaping) during construction
- Waivers obtained, compliance achieved

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Replacement of Personal Property

- Coverage applied to contents and family's personal effects
- Medicaid approved disbursements, including disbursement to family under "property of others" provision
- True Link card logistics: $5k/day & $20k/mo limits
- Incremental funding arrangement

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Lessons Learned

- Document thoroughly for Medicaid submissions
- Proactive communication with insurer & contractors
- Master policy strong, but costly renewal risk (or loss!)
- Vet real estate before insuring under master policy
- Use individual policies for high-risk properties
- Make sure beneficiaries have renter's insurance (1st party SNT cannot pay in AZ)

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Conclusion

. . . and they lived happily ever after!

☺ Family successfully returned to new home

☺ Positive collaboration with insurer, contractor, Medicaid

☹ Ongoing insurance sustainability challenge

☺ Takeaways: Be prepared, proactive, and selective

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