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## **Now is a good time to review your insurance coverage in the context of a catastrophic event**

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A tide of flood insurance rate increases is rolling in, despite the efforts of state and federal legislators to stem it in waterlogged areas, with 25 percent hikes in the offing beginning Oct. 1, 2013. Congress passed the Biggert-Waters Flood Insurance Act of 2012 to put the National Flood Insurance Program (NFIP) on sound financial footing. However, the NFIP is \$26 billion in debt from paying off disaster claims.

Subsidies for homeowners and businesses are being squeezed out, and substantially higher premiums loom for those who don't take precautionary measures to protect their property. Carriers are attempting to expand the defined flood zone map areas well beyond their historical boundaries. Coastal owners are faced with insurance renewals that include lower flood limits, higher deductibles and broader definitions of what constitutes the flood zone.

As is always the case with difficult situations, there are lessons to be learned. In recent years, there have been many worldwide catastrophes. Major events that we would never envision happening are indeed occurring. Too often, we are focused on saving premium and miss meaningful coverage provisions and sub-limits that are vital in the event of a major loss. Hence, the following lessons must be reviewed as result of these pending market changes:

- \* Flood coverage. Most commercial and personal policies exclude flood, particularly if the property is in or near a flood zone. Loss of income coverage, BI and CBI, generally only kick in if preceded by a covered peril. If flood is excluded on a policy, it becomes a challenge to trigger other coverage. Seek Federal Flood coverage at a minimum or evaluate purchasing standalone flood limits. Specifically schedule locations in a SFHA so it is not left open to interpretation at the time of loss.

- \* Wind coverage. Wind is covered on most policies but with potentially higher deductibles, particularly for named storms. Pay close attention to the policy language as it relates to storm surge and wind-driven rain.

- \* Loss of Rents/Extra Expense. Generally, there must be some level of physical damage that results in a loss of rents. This physical damage must be caused by a covered peril, e.g. fire, flood, wind, etc. Ensure limits are adequate and check sub-limits on package policies.

- \* Business Income - Civil Authority. Order of Civil Authority prohibits access to insured premises due to direct physical damage to property other than the insured's caused by a covered loss. This often overlooked coverage has been quite relevant during the post-Sandy cleanup.

- \* Ingress/Egress. Business interruption loss due to lack of ingress/egress to your insured's premises caused by a covered peril.

- \* Definition of Occurrence. Make sure the policy contains appropriate definition of occurrence specific to the risk insured.

- \* Claims Data Expense. Reasonable expenses incurred in preparing claim data required by a

carrier. Includes forensic accounting, claim documentation and other expenses relevant to preparing a claim. Most policies contain some provision for this.

- \* Dedicated Adjuster. If the program warrants insist on the carrier providing a dedicated adjuster to the policy.

- \* Utility Services - Time Element. Loss of income due to service interruption. Ensure that the service interruption definition includes, power, utilities, communications, etc. Check sub-limits and waiting period. Pay special attention to how coverage applies especially as it relates to transmission and distribution lines.

- \* Debris Removal. Debris removal coverage is usually included on property and package policies but the sub-limits are often low. The costs to clean up are generally more than anticipated after a major storm event.

- \* Develop a Business Continuity Plan. Take the time to plan and have alternative locations available and contingencies in the event of a catastrophic loss.

Unfortunately, it takes a major event to bring illumination to basic coverage issues. Now is an opportune time to review your insurance coverage in the context of a catastrophic event. Taking a fresh look your insurance coverage as it relates to your risk profile is advisable.

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