

Every season has its own weather hazards. In spring and summer, flooding, hurricanes and tornadoes are the most common. In this issue of *Wealthy & Wise* we examine these natural events and ways to prepare for, and recover from them.

Michael Smerkanich, our East Region Leader, begins the issue with “Super Storm Sandy and Lesson Learned.” Christina Scroggins elucidates flood coverage options and how to obtain coverage in “How Do You Get a Flood Policy?” And in “Tornado Safety” we explain more about tornados and steps that should be taken in dealing with these extremely unpredictable acts of nature. Plus, we provide tips on what to include in your disaster supply kit and the role an up-to-date home inventory plays in recovering from natural disasters.

We hope that these articles will provide interesting reading and reinforce that preparation and planning are the best way to weather the weather disasters that we are all at risk of experiencing.

*Sandra Bravo*  
President & CEO  
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# LESSONS LEARNED FROM SUPERSTORM SANDY

*By Michael Smerkanich*

The overarching lesson from Superstorm Sandy is this: *Understand your insurance policy and be prepared.* Knowing precisely what is covered and what is not can save you some unpleasant and costly surprises. Being prepared can, simply, save you.

Sandy roared ashore on October 29, 2012 wreaking havoc on homes, apartments, personal property, automobiles and boats. The storm’s rage was felt in many states, New Jersey and New York being hardest hit. Many of our personal insurance clients felt Sandy’s impact in one or more ways, experiencing long-term power outages, significant property damage, gasoline shortages and weeks’ of disruption to their daily routines. While life for many has returned to normal, for others, especially those who suffered catastrophic property loss, the road to recovery remains difficult and complicated. Now that several months have passed since Sandy, we offer here some lessons learned that will help our clients be better prepared for the next super storm or disaster.



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## CHOOSE COST EFFECTIVE (NOT LOWEST COST)

Know your insurance program, its limits, and avoid making buying decisions based on cost alone.

Certain insurance companies have pushed the idea that your personal insurance program should be all about lowest price. Price is important but should not be the only consideration, especially since a lower price could equal less protection. For example, you would pay a lower premium if your home was insured for a value under its replacement cost. However, if a disaster significantly damaged your home, you would, in all likelihood, not have enough insurance to pay for its restoration.

**LESSON 1:** A personal insurance program should be less about price and more about buying the appropriate type and amount of insurance needed. Look for the program that meets your needs, that is also cost effective – not just the lowest price.

## WATER, WATER EVERYWHERE (NOT JUST FLOOD-PRONE AREAS)

Standard homeowners, condominium, and renters insurance policies do not provide coverage for flood damage. One must purchase a separate flood policy that is backed by the National Flood Insurance Program (NFIP), a federal program managed through FEMA. Some insurance companies will provide flood coverage on their policies for an additional premium if one qualifies. The amount of coverage available through the NFIP-backed program is \$250,000 for structures and \$100,000 for contents, which barely covers the average home value in the U.S. Excess flood insurance can be purchased through various insurance companies if one qualifies.

For people living in a flood-prone area, flood insurance is necessary and usually required if the property owner holds a mortgage. However, floods can (and do) happen practically anywhere, and most property owners should consider flood coverage even if they do not live in a flood zone. Flood insurance in low-risk flood areas is inexpensive. During Superstorm Sandy, many areas not considered at risk flooded causing damage for property owners, many of whom did not have flood insurance.

**LESSON 2:** Flood insurance is a wise purchase for anyone, not just those living in flood-prone areas. Some insurance companies can provide broader flood coverage as part of their home insurance policy, so discuss this option with your insurance adviser.



## DISASTER SUPPLY KIT

Stock up today, store in a water-resistant container and replenish as needed:

- Cash – at least \$300 in one-dollar bills (in an emergency, vendors may not be able to make change)
- Two-week supply of prescription medicines
- Two-week supply of nonperishable special dietary foods and pet foods
- Drinking water/containers: one gallon per person per day for a minimum of three days
- Flashlights and (seven sets of) batteries for each member of the family
- Portable radio and (seven sets of) batteries. (The radios that can be cranked for charging instead of using batteries can also be a good idea.)
- First aid book and kit
- Two coolers (one in which to keep food, the other for ice)
- Plastic tarp for roof/window repair, screening, tools, nails, duct tape, etc.
- Water purification kit
- Clean-up supplies (sponges, buckets, towels, disinfectant)
- Camera and film
- Non-electric can opener
- Plastic trash bags
- Toilet paper, paper towels and pre-moistened towelettes

## REMEMBER THE EXCLUSIONS (AND THE RESTRICTIONS)

Unfortunately, even for those who have flood insurance, the reality is that the FEMA-backed insurance policy is very limited, providing payments only for property damaged by flood – with many exclusions and restrictions. For example, personal property located in a basement is not covered. Also, payout for damage is based on an actual cash-value basis, so older property is depreciated. These types of exclusions and settlement provisions are much more restrictive in a FEMA-backed flood policy than in a standard home insurance policy. Many who had covered flood damage from Sandy were surprised – and disappointed – by their flood insurance claim settlement.

**LESSON 3:** Seriously consider the purchase of flood insurance, as flooding happens everywhere, but recognize its coverage is limited and restrictive.

## DON'T FORGET THE DEDUCTIBLES (HURRICANE AND WINDSTORM)

Some home owners with property damage were surprised to learn that their home insurance policies contain separate deductibles for hurricane or windstorm. Most people who live near the coast have such a deductible, which is typically a percentage (such as 2%) of the coverage limit on the policy. So, for example, if your home is insured for \$500,000, the 2% windstorm deductible would be \$10,000. In most cases, these deductibles are not optional; the insurance company will only offer a policy if it contains this type of deductible.

Some confusion surrounded various governmental decrees that insurance

companies must waive the hurricane deductible for any losses associated with Superstorm Sandy. This decree did not waive the insurance company's right to apply a windstorm deductible, however, so those with windstorm deductibles did not benefit, and the deductible amount was subtracted from any claim settlement.

**LESSON 4:** Those whose homes are near coastal waters will continue to see hurricane and windstorm deductibles typically larger than a standard deductible. Therefore, it makes sense to offset the higher deductible by setting aside a savings account dedicated for use in case of hurricane or windstorm damages.

## BE PREPARED (NOT JUST ON PAPER)

Many were caught off guard not only by the amount of direct devastation caused by Superstorm Sandy but also by its subsequent hardships – no power for weeks and widespread gasoline shortages. Sandy was a rude reminder of the importance of a workable disaster plan that you can use to prepare for, live through and recover from an event such as Sandy. Most disaster plans are really checklists of things to do (e.g., purchase water, extra food, gasoline, a generator) as well as important information (e.g., emergency response telephone numbers and insurance company contacts).

**LESSON 5:** Disaster planning and preparedness can make all the difference in how one weathers – and recovers – from a storm.

## CLAIMS (COVERED AND UNCOVERED)

Many of our clients suffered damage and had a claim as a result of this event. While many claims were managed quickly by the insurance companies, because of the magnitude of the storm and the complexity of the damage, a considerable number are still not settled; particularly in the NY/NJ coastal communities hardest hit and for those with boats and yachts moored in coastal marinas. In addition, the sad reality is that much damage was done that was not covered by insurance due to exclusions or limitations on a particular policy or the simple fact that no insurance policy was in place to cover the loss.

If you have damage not covered by an insurance policy, you do have options. First, of course, speak to your insurance adviser to clarify why coverage has been denied. Then explore outside help: Can a third party be brought in to work with an insurance company on a claim settlement? (While bringing in an outside party, such as independent adjuster, might help, there is typically a cost associated with this which is usually a percentage of the actual claim payout.)

Finally, because Superstorm Sandy triggered a declaration of disaster in many states, the federal government through FEMA has resources to help people who suffered losses. [Click here](#) to access their website.

**LESSON 6:** Disasters cause damage that might not be covered by insurance; the federal government through FEMA has resources to assist.

Sandy's lessons are simple: Understand your policies and be prepared. Storms will come. Disasters will strike. How you recover from them will depend to a great extent on how well you prepared for them.

*Michael Smerkanich is the East Region Leader for Willis Personal Lines, LLC.*

## FLOOD POLICIES

*By Christina Scroggins*

On October 29, 2012 the country watched in astonishment as Superstorm Sandy slammed into the New Jersey and New York coastlines, wreaking havoc on homes and iconic sites, such as the Atlantic City Boardwalk. Six months later, the aftermath of Superstorm Sandy continues to play out in the news as well as the political arena. The main topic of discussion? Flood policies. This article takes a closer look at floods in the U.S., who is eligible to purchase flood insurance and why this coverage is essential for homeowners and renters.

### WHAT ACTUALLY CONSTITUTES A FLOOD?

Floods are the number one natural disaster in the U.S. according to the National Flood Insurance Program (NFIP). From 1978 to 2010 the NFIP paid out more than \$36.9 billion for flood insurance claims and related costs.

The simple definition of a flood is an excess of water on land that is usually dry. As with any insurance definition, there are several sub-definitions. For example, the flood is not always due to overflow of river or tidal waters. A flood can be caused by a rapid accumulation and runoff of surface waters from a monsoon in the desert or a heavy rainfall in the Midwest.

### WHO IS ELIGIBLE FOR A FLOOD POLICY?

Typically, flood coverage is excluded from homeowners and renters policies. Anyone, including renters, who lives in a community participating in the NFIP is eligible for a flood policy. Most communities want to participate in the NFIP as there are government incentives. The NFIP also handles the flood plain management program for these communities. Flood policy types are based on the flood plain of each building and/or property is built.

### I LIVE IN A LOW RISK AREA. DO I REALLY NEED FLOOD INSURANCE?

Absolutely! Nearly 20% of the flood insurance claims come from moderate-to-low risk areas. Also, a federal disaster declaration is not necessary to file a flood claim.





## HOW DO I GET FLOOD INSURANCE?

Flood insurance is a program run by the Federal Emergency Management Agency (FEMA) and managed by the NFIP which works with insurance carriers to offer flood insurance through independent agents and brokers. Flood insurance differs from other types of insurance policies so make sure your agent explains the policy to you thoroughly before purchasing. The average flood policy premium is \$600 a year.

Although we may not experience another Superstorm Sandy in our lifetime, the possibility of a flood exists no matter where you live. Being informed and properly insured will help protect you if the need arises. Contact your local agent for specific information regarding flood insurance for your property.

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## TORNADO SAFETY

Recent tornadoes in Texas, Kansas, Oklahoma, Illinois and Iowa are our annual reminder that tornado season is once again upon us. Due diligence prompts us to prepare ourselves as much as possible to limit losses of any kind in future events. Although more common in the geographic region termed “Dixie Alley” (stretching from Alabama to Virginia) and in the classic Tornado Alley (stretching from Texas to Illinois), tornadoes can happen anywhere you reside, travel or work. In fact, tornadoes have occurred in all 50 states.

### TORNADO FACTS -

A tornado is a violent windstorm characterized by a twisting, funnel-shaped cloud. It is spawned by a thunderstorm (or sometimes a hurricane) and formed when cool air overrides a layer of warm air, forcing the rapid rise of the warm air. The damage from a tornado is a result of the high wind velocity and wind-blown debris. Tornado season is generally March through August, although tornadoes can occur at any time of year. They tend to occur in the afternoons and evenings: over 80% of all tornadoes strike between noon and midnight.

### TORNADO DANGER SIGNS

- An approaching cloud of debris can mark the location of a tornado even if a funnel is not visible.
- Before a tornado hits, the wind may die down and the air may become very still.
- Tornadoes generally occur near the trailing edge of a thunderstorm. It is not uncommon to see clear, sunlit skies behind a tornado.

## WHAT TO DO DURING A TORNADO

### IF AT HOME

- If you have a tornado safe room or engineered shelter, go there immediately, if not...
- Go at once to a windowless, interior room; storm cellar; basement; or lowest level of the building. If there is no basement...
- Go to an inner hallway or a smaller inner room without windows, such as a bathroom or closet. If none of the above...
- Get away from the windows.
- Get under a piece of sturdy furniture such as a workbench or heavy table or desk and hold on to it.
- Use arms to protect head and neck.
- If in a mobile home, get out and find shelter elsewhere.

### IF AT SCHOOL OR WORK

- Go to the area designated in your tornado plan.
- Avoid places with wide-span roofs, such as auditoriums, cafeterias, large hallways or shopping malls.
- Get under a piece of sturdy furniture, such as a workbench or heavy table or desk and hold on to it.
- Use arms to protect head and neck.

### IF OUTDOORS

- If possible, get inside a building.
- If shelter is not available or there is no time to get indoors, lie in a ditch or low-lying area or crouch near a strong building. Be aware of the potential for flooding.
- Use arms to protect head and neck.

### IF IN THE CAR

- Never try to out-drive a tornado in a car or truck.
- Get out of the car immediately and take shelter in a nearby building.
- If there is no time to get indoors, get out of the car and lie in a ditch or low-lying area away from the vehicle. Be aware of the potential for flooding.

## GENERAL SAFETY PRECAUTIONS THAT COULD HELP YOU AVOID INJURY AFTER A TORNADO

- Continue to monitor your battery-powered radio or television for emergency information.
- Be careful when entering any structure that has been damaged.
- Wear sturdy shoes or boots, long sleeves and gloves when handling or walking on or near debris.
- Be aware of hazards from exposed nails and broken glass.
- Do not touch downed power lines or objects in contact with downed lines. Report electrical hazards to the police and the utility company.
- Use battery-powered lanterns, if possible, rather than candles to light homes without electrical power. If you use candles, make sure they are in safe holders away from curtains, paper, wood or other flammable items. Never leave a candle burning when you are out of the room.
- Hang up displaced telephone receivers that may have been knocked off by the tornado, but stay off the telephone, except to report an emergency.
- Cooperate fully with public safety officials.
- Respond to requests for volunteer assistance by police, fire fighters, emergency management, and relief organizations, but do not go into damaged areas unless assistance has been requested. Your presence could hamper relief efforts, and you could endanger yourself.

If a tornado “watch” is issued for your area, it means that a tornado is “possible.” If a tornado “warning” is issued, it means that a tornado has actually been spotted, or is strongly indicated on radar, and it is time to go to a safe shelter immediately.

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# HOME INVENTORY: THE BIG "WHAT IF?"

What if your home was swept away by a hurricane or flood and you lost everything inside it? Other than valuable personal property you may have scheduled on your homeowner's policy or separate floater policy (i.e., fine arts, jewelry, silverware, furs, etc.), how can you prove what was lost?

The best thing to do is video your home. While professionals offer this service, they are not located everywhere, and with today's technology it's just as easy to do it yourself. Here are helpful hints for making a successful home inventory video.

1. Clean your house before filming. You will find that you have a more accurate video when rooms, shelves and drawers are free of clutter and clean.
2. When you start the video, record your name and the date, time and location of your video. This will help avoid confusion, especially if you make additional videos at a later date.
3. Make a written list of all the rooms, including bathrooms, closets and storage areas. Film your home in an organized fashion, checking off each location as filming is complete.
4. Video your belongings. Move slowly through each room and videotape everything, pausing on anything that is valuable.



You don't need to pause on every single article of clothing. Instead, slowly pan through a closet to get an overview of the amount and styles of clothes you own.

5. Talk throughout the film. Point out any items of high value, such as expensive electronics or appliances. Any article that is on your Scheduled Personal Property policy should be identified and noted as such.
6. Store the video in a safe place, such as a safety deposit box at the bank.

Remember to update the video when you make significant purchases, such as new furniture, jewelry or fine arts. It's also a good idea to run an update video every other year for items such as clothing that change constantly.

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