

ARTICLES

When a Storm Gets Its Name, Your Insurance Takes a Hit

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For hundreds of years, the United States has been assigning names to major weather events. The first was [The Great Snow of 1717](#), when a particularly concerning blizzard hit the colonies of New England. Since then, we've taken to adopting more straightforward names – like Harvey and Irma – to reduce confusion and streamline communications.

The World Meteorological Organization strictly handles procedure on officially naming storms, but The Weather Channel adds another layer of complexity. Somewhere along the way, it decided to name storms on its own for the purpose of reporting. These are not official named storms, but the communication has become so diluted and confusing, it's left consumers and insurance professionals alike scratching their heads.

After a series of major storms in the 1990s, insurers realized that it was necessary to reduce coverage for these “named storms” in the form of higher deductibles, lower limits or total removal of coverage from policies. The storms, coupled with the growing value of construction in coastal areas, hit insurers hard financially and created large increase in exposure to loss.

These deductibles range from one to ten percent of a property's value, so it is essential that businesses and homeowners are aware of the issue and prepared financially to address any relevant damages. But that is most often not the case, as one study performed by the Insurance Research Council in 2017 found that over one-third of homeowners in coastal states were unaware of hurricane or named-storm deductibles.

For example, last year, Florida property owners found out too late that they had separate deductibles for standard wind and flood damage, and wind and flood damage caused by a hurricane. Many had repairs that fell below these deductibles, and were saddled with high bills and no financial support to rebuild.

But, there are things that businesses and homeowners can do to get adequate coverage. It starts with diligently reviewing policies to ensure deductibles are spelled out clearly, and working closely with a broker to identify gaps.

Make sure that deductibles apply for the entire season, not per event. In most areas of the U.S., storms



incurring damage will hit more than once in a given year. Pay close attention to flood insurance, as well. Many property owners lack it entirely, and those who do have it often have exclusions or limited coverage on certain things they don't realize – like the contents of the basement. Policy limits on pump backup or failure caused by prolonged power outages is far too low, usually between \$3-5,000 – not enough to replace ruined boilers and the contents of the basement.

If you're worried about your storm coverage, get in touch with our team today at safety@risk-strategies.com.

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