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# Hurricane preparation: Be sure to be insured

How to advise property owners and managers who haven't experienced a massive storm in the Southeast



It's been 10 years since a devastating hurricane has hit the Southeast. Here's how agents can advise clients who haven't experienced the kinds of storms that can strike the region.

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There are many property owners and managers whose careers began in the region since the last massive storm. These professionals — relatively new to the industry —

may be unfamiliar with what they must do to prepare for the storm season, and the repercussions that are totally unfamiliar.

Even those who were in business more than 10 years ago often need a reminder of how catastrophic a major storm can be. And of course, the individual homeowner must also be fully aware of what he or she must do.

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Let's face it: The southeast has had its share of hurricanes. Those who keep tabs on each one may recall that Katrina, Rita and Wilma were Category 5 hurricanes and Dennis a Category 3 storm that together caused \$153 billion in damage in 2005. Those figures blew past a record set the year before, when four hurricanes tore through Florida and headed north, causing \$57 billion in damage. In 2008, damage from Ike totaled \$37.5 billion.

## **Severe weather's effect on the insurance industry**

The effect on insurance companies was dramatic. In fact, the storms created dire consequences on many companies. Insurers stopped writing policies in states such as Florida and Louisiana, premiums skyrocketed, and restrictions proliferated. The market has recovered in many ways, but property & casualty policies now have multiple exclusions and higher deductibles.

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The impact of this has made it nearly impossible for property owners and managers — as well as individual homeowners — to know what's covered and what's not without sitting down with their insurance agent. For anyone who has survived, there may be a tendency to get a little smug, thinking "I know what to do." In fact, the insurance industry has changed significantly in the past 12 years, and so has property coverage.

## **Down to basics**

The first steps for insureds to take to safeguard homes, property and developments is to sit down with their agents and review each policy. Agents should start by helping clients find out the basics:

- What's covered and what's not?
- What's the deductible?
- Are hurricanes explicitly covered?

For example, in some coverage for hurricanes, the deductible can be up to 7% of total. On a \$10 million property, that's \$700,000. Property managers and insurance professionals should total the dollar amounts on the main policy and other policies that address windstorm, flood, storm surge and wind-driven rain. But policies have different types of exclusions.

These may sound similar, but they are treated differently. The distinctions become important, particularly when a property owner or manager files a claim.



## **Exclusions come with high costs**

When Hurricane Katrina hit and litigation ensued, a federal appeals court ruled that the flood exclusion in insurance policies applied. That cost owners billions and billions of dollars. By excluding flood damage, owners were hit with astronomical costs in reparation.

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Insurers put storm surge — water pushed ashore by hurricane winds — into another category. Wind-driven rain isn't covered unless the property suffers damage that is already covered, which gets to two important points: Proper maintenance and impeccable recordkeeping.

These are important because an insurer can push back on a claim if there's evidence that the property wasn't kept up. For example, if wind-driven rain comes through a building opening that could have been sealed, an adjuster can argue that the damage resulted from inadequate maintenance and shouldn't be covered. Property owners that skimp on maintenance to cut costs will find that the next hurricane will cost them a lot more than the bill for sealing windows and doors.

Additionally, it's critical to document improvements and renovations. Many developers, managers and homeowners don't know when their roof was last replaced or repaired. When a claim is filed, the insurance company can say that a roof was in bad shape before the storm and therefore won't pay for a new one. Without proof, the insured will have a difficult time collecting the full amount.

Before a named storm makes TV news, advise clients to inventory everything, create diagrams and take lots of video and photographs. To file an effective claim, the insured must be able to re-create the condition of the property before the hurricane hit.

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This goes beyond just the building. Clients should document the condition of lighting and landscaping. If they own a building, they should record the condition of the parking lot. Some policies will cover trees only if they affect a building. Sidewalks, fencing and asphalt may not be covered depending on the situation.

Lessons learned from the past for policyholders include the following:

- First, document all the damage right away. Again, take video and photos, and save them not just on a hard drive, but in the cloud and other locations. It is imperative to document the before-and-after condition of the property.
- Second, mitigate the damage before insurance claims are paid. Property owners and managers have a duty to protect the property right away against further loss.

- Have on-call contractors — plumbers, electricians, carpenters, HVAC and landscapers. Make sure they're reputable. After the '04 and '05 storms, people from out of state showed up saying they were there to help. It turned out that they were there to take advantage of the situation; they didn't have licenses or insurance. They took money from desperate people, did shoddy work and disappeared.

No matter how little or much experience a property owner or homeowner has with hurricanes, no one should be a victim twice. It should be easy for them to get an emergency list of who's available to call first thing after a storm. The goal, naturally, is don't be a victim.

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