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Insurance With Assurance

Flood Insurance *by Rick Janis*

In light of Hurricane Floyd, what should most alarm dealers know about flood insurance?

While flood insurance may not be specifically related to the alarm industry, the damages and losses due to the weather conditions during the hurricane season on the East Coast are a good reason for us to review some of the basic but confusing perils of insurance.

The majority of the losses from Hurricane Floyd were caused by rising waters both on the coast and inland. The majority of the rising waters were located near rivers and streams. Surprisingly, there was very little damage from rising waters near the ocean and from water damage caused by wind damage.

You may have noticed that reported estimates of damage from Hurricane Floyd were several billion dollars but insured losses were only a small percentage of that number. That's because most of the losses from Floyd was due to flooding, which is not insured by your property insurer.

An insurance property policy, whether it be all risk or named perils, is meant to cover damages that are caused by fire and inclement weather. These weather conditions can be by wind, hail, snow, sleet and tornado, atmospheric conditions that you and I have no control over.

Rising waters or floods are a result of either sudden weather conditions (hurricane, rainstorm, high tide during a full moon) or a series of weather events (meltdown of heavy snowfall during the spring, series of rainstorms).

So what is covered by your basic property insurance policy? It gets tricky. Only water damage that occurs from water that enters a building because of previous damage to the building is covered by your property insurance. Some examples would be a roof whose shingles are damaged by wind and rain enters the building or whose windows are damaged by wind and rain enters the building. On the other hand, a good example of what is considered a flood loss is simply water damage that occurs from waters that enter a building from a normal conduit. The water can come through an undamaged door, window, basement wall, basement door or the floor.

Flood coverage is a totally separate peril and usually is insured as such. Here's the common rule for any building located in a flood zone:

Buildings or insureds that are located in flood zones are able to purchase coverage from the federal government. The federal government has surveyed most of the continental

United States and determined what locations are most susceptible to flood. All of these areas are rated depending on the annual likelihood of a flood. These areas usually include all low lying areas near any body of or running water. The federal government has set up a national flood program that provides this coverage through your insurance company.

Flood insurance is available to anyone and you should discuss whether you need the coverage with your agent or broker. Many people who suffered a loss during Floyd did not have the coverage and are now lining up for low interest loans to rebuild properties that they already owned. Those of us who don't live within eyesight of the water may not be worried about flooding. But you never know. The reach of water in our communities seems to grow with each year and each storm.

Rick Janis is a Certified Insurance Counselor and president of the Alarm Insurance Agency. With over 7 years of experience in the security industry, he has been responsible for developing and managing comprehensive insurance and bonding programs for alarm dealers and monitoring companies. Rick is CEU certified by NBFAA and teaches CEU courses to the alarm industry on General Liability/Errors and Omissions and Worker's Compensation. He can be reached at 800-474-0933 or by fax at 800-240-0631. You may also e-mail him at rjanis@alarmins.com.