

Why Consider Flood Insurance?

April showers bring May flowers but they really bring water backup and flooding. As increased precipitation occurs, creek and river capacities increase, which strains municipal water systems and threatens over built areas leading to loss.

Water has a unique way of finding a way into places. It causes damage, rot, mold and in turn can cause physical damage to structure. This can all lead to financial loss to businesses and homeowners.

While corrective measures, such as installing proper drainage and pumping systems with backup systems, can help as well as other measures to curb over building, how do you weather the storm and pay for the losses from flooding and water damage?

Insurance is the answer. While most standardized property forms exclude or limit water damage coverage, one can buy back coverage by an endorsement or by buying a separate flood policy through your local Independent agent.

If you buy an endorsement, it usually limits coverage to water backup from drains but not flood or mudslide. Further, it limits the amount of loss paid to under \$100,000. If you purchase a separate flood policy, the coverage is not limited to backup of drains, and the limit of liability or amount of loss covered is greater depending on the insurer.

The Federal Government has established an agency (FEMA- Federal Emergency Management

Agency) which identifies high flood areas throughout the United States, and it offers financial assistance via the National Flood Insurance Program (NFIP). As stated by FEMA, which oversees this program on its website, "The National Flood Insurance Program aims to reduce the impact of flooding on private and public structures. It does so by providing ...insurance to property owners and by encouraging communities to adopt and enforce floodplain management regulations." Under the NFIP the maximum limit that is offered is \$500,000 on building structures & \$500,000 on contents.

The policy does not offer loss of income related to the water damage or flood damage and valuation is based on actual cash value so you may need to look to private insurer for higher limits and broader coverage.

Based on actuarial data by FEMA, water and flood losses averaging \$2.9 billion over the past 6 years have been staggering.

The financial impact on a person, organization, or business can be significant if not devastating, which is why you should consult with your insurance agent to review your coverage and determine how best to finance the unexpected and severe impact of April showers and other water-related loss.

Contributed by Chris Goss, Vice-President, Philadelphia Insurance

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Joe Convertino, Jr
President

