

An appropriate time to discuss flood insurance



Guest editorial
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addresses what you should know about flood insurance, how it works and how to buy it.

Standard homeowners, renters and business policies typically do not cover flood damage. They will, however, likely cover some types of water damage, such as from breaking pipes, seepage, etc. But true floods are a completely different scenario. This can be problematic if you either *want* flood insurance to protect your property due to proximity to a water source, or if you *must* have it to be in compliance with mortgage requirements in a high-risk flood zone.

While the following focuses on flood insurance for businesses, you can also learn more about homeowners flood coverage from your personal insurance agent.

Key considerations

When looking to purchase flood insurance, there are a few things to consider. Are you in a flood zone? Are you in danger of flood waters from other sources such as snow melt, an overflowing creek or pond or

water run-off from a steep hill? Let's review these situations separately.

- Look at a flood map (msc.fema.gov) to determine whether or not you're in a flood zone. If you are, your best option may be through the National Flood Insurance Program (NFIP) managed by the Federal Emergency Management Agency (FEMA). For building coverage, NFIP policies can cover buildings, foundations, electrical, plumbing, HVAC systems and walk-in freezers. Contents coverage can include furniture, fixtures, machinery, equipment, stock and up to 10 percent for improvements. The policy does not offer coverage for loss of use or business interruption. Premiums charged for these policies will depend on the zone in which your property is located, chosen deductible, building construction, etc. NFIP has specific limits for which coverage can be purchased — \$500,000 for structure and \$500,000 for contents. If seeking

higher limits, you may be able to purchase "excess" flood insurance through the open insurance market. It's important to know NFIP covers your property at actual cash value, which is the value of your property new minus the depreciation. NFIP policies can usually be purchased through your insurance agent. You cannot purchase flood insurance through NFIP directly.

- If you are not in a flood zone but wish to purchase flood insurance, you can do so through your agent by accessing the open insurance market. Although your current business policy likely doesn't automatically include flood as a covered peril, it can be purchased separately. Many insurance companies can add it as a covered peril to your current policy for an additional premium, at either the full limits carried on your property policy or at a sub-limit that applies specifically to flood. If your insurance company doesn't provide this option, your agent should be able

to access one that offers a flood-only policy. Both options would enable you to choose the limits and deductibles, depending on the premium you want to pay for the coverage.

Exception

One important exception to the "flood isn't automatically included" rule is if you have a Garage policy. If you're a truck dealer, you may have a Garage policy that lists your Dealers Inventory held for sale. If you're an upfitter, you likely have a Garage policy that lists Garage Keepers or coverage for customer units while in your care. Both Dealers Inventory and Garage Keepers nearly always automatically afford coverage for flood. So, in the event of a flood, you may not have building or contents coverage right now, but you could have coverage for your inventory and customers' vehicles. Check with your agent to see how your individual policy is written.

According to the Insurance Institute for Business & Home Safety, more than 25 percent of businesses that close due to a devastating event, such as a flood, never reopen. Although this is a concerning statistic, it doesn't have to be the fate of your company. A conversation with a trusted insurance professional could alleviate many of the concerns you have as a business owner.

As NTEA's preferred insurance agency, JD Fulwiler developed the Protection Plus program to provide the industry with underwriting, risk assessment and loss prevention services. JD Fulwiler will shop among many top insurance carriers with which it does business to find a coverage solution that best meets your needs. Learn more about this program at ntea.com/partnerships or call 800-441-6832.

With the devastating conditions brought on by recent Hurricanes

Harvey and Irma, now is a good time to talk about flood insurance. Understandably, many companies are inquiring about whether or not their property policies include flood insurance. Unfortunately, the answer all too often is that they do not. So, this article

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