



# BUSINESS INSURANCE



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Joanne Wojcik

## COMMENTARY: Insurers need to step up on private flood coverage

June 8, 2014 - 6:00am

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When a massive mudslide reshaped a hillside in western Colorado after heavy Memorial Day weekend rains, I was reminded how few of these natural catastrophes are covered by insurance.

Similar torrential rains drenched Colorado's Front Range last fall. But few of the properties that were damaged or destroyed when the St. Vrain Creek overflowed its banks were covered by insurance, since flood is not a covered peril under standard homeowners and small business owners policies.

While large businesses affected by last year's historic Colorado flooding may have been able to tap their commercial property

catastrophe coverage to pay for flood damage, few homeowners and mom-and-pop businesses had coverage. According to the Rocky Mountain Insurance Information Association, only 22,000 National Flood Insurance Program policies were in force statewide at the time of the September floods, representing only 1% of the total number of households in Colorado.

Likewise, nearly one-third of small and midsize businesses that suffered financial losses in the aftermath of Superstorm Sandy in 2012 had neither NFIP nor private flood coverage, according to a report released in April by the Federal Reserve Bank of New York.

Given the increasing awareness among homeowners and small-business owners of the need for insurance to respond to such losses, entrepreneurial agents, brokers and underwriters need to seize the day.

Given that 76% of U.S. workers are living paycheck to paycheck in this post-Great Recession economy, odds are they don't have the financial wherewithal to recover from natural catastrophes without the benefit of insurance.

According to a recent survey by Bankrate.com, less than 25% of us have enough money in savings to cover at least six months of emergency expenses — the amount financial planners say we should have on hand to help cushion the blow of a job loss, medical emergency or some other unexpected event, such as having your house slide off its foundation because of

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a mudslide. But we can afford to squirrel away a few extra dollars from each paycheck to pay for the peace of mind that we would be covered in the event of a catastrophic loss.

Kasey Vaughn, vice president and managing director at wholesale broker and underwriting manager Burns & Wilcox Ltd. in Morehead City, North Carolina, told *Business Insurance* recently that he has never before had so many agents ask about private-sector solutions to the need for flood insurance. Gainesville, Florida-based The Flood Insurance Agency began writing private-market flood insurance in November that mirrors the terms and conditions of coverage under the NFIP. But that coverage is only available in 19 states, and not in Colorado or New York.

Don't you think it's time for the insurance industry to come up with some meaningful private-sector solutions?

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